The CREDIT WORLD

Bus

October, 1956

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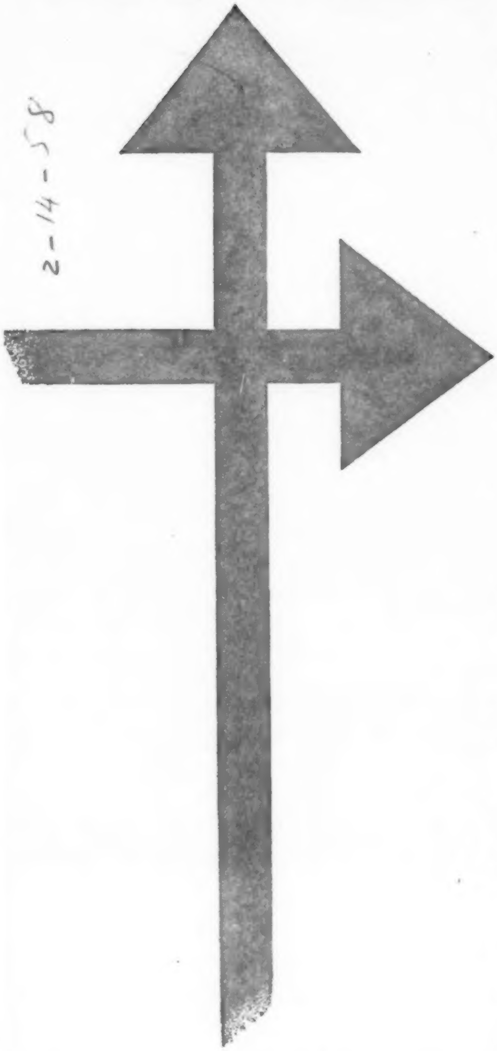

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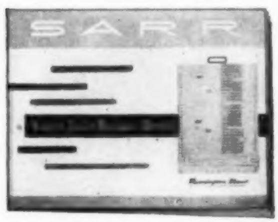

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25 YEARS AGO in the CREDIT WORLD

Charles M. Reed, Denver, Colo., Second Vice President, N.R.C.A., was the author of the feature article "The Good Old Days," in the October, 1931, CREDIT WORLD. He discussed the past decade during which time profits did not keep pace with the ever mounting volume and overhead.

★ ★ ★

"Fighting the Spoilsman" was the title of an article by J. J. Hart, a Federal Court Investigator for the Cleveland Retail Credit Men's Assn. He said that there was much dissatisfaction with the procedure as it then existed.

★ ★ ★

An address by Col. Wm. F. DeVere, Cheyenne, Wyo., entitled "Planning New Bureau Service," was reprinted in full. It concerned bureau services for small cities and towns.

★ ★ ★

"Credit Problems of the Depression" was the title of the fourth article in this issue. It was written by A. D. Broh, Huntington Business Men's Assn., Huntington, Ind. He said, "In the face of world-wide panic, our ratio of losses to bad debts has not increased. We have weeded out inefficiency."

★ ★ ★

Lawrence McDaniel, General Counsel, N.R.C.A., contributed a piece about "And the Retailer Pays the Bill." His opening statement was, "The lack of appreciation of the importance of the credit manager and the credit department is one of the most outstanding faults of modern merchandising."

★ ★ ★

"National Advertising of Credit Terms," by S. E. Shermantine, Retailers Credit Assn., San Francisco, was the next article in which the author said that the merchandising of credit terms was conceded to be of unsound practice.

★ ★ ★

J. R. Truesdale, Supervising Collection Department, N.R.C.A., discussed "Increasing Demand for Collection Service," in the seventh article. "Collection departments exist because they are needed," he said.

★ ★ ★

"A Soliloquy of a Credit Man," by H. W. Hoklas, Young-Quinlan Co., Minneapolis, related how difficult it was to discharge an employee.

★ ★ ★

In the final article William C. Waugh, Remington Rand Business Service, discussed "A Modern Indexing Method." He explained how the Russell-Soundex system would be of great help to credit men.

★ ★ ★

"Worth Noting," "The President's Message," by Frank Batty, and "Washington Bulletin," by R. Preston Shealey, completed the October, 1931, issue of 25 years ago.—A. H. H.

The CREDIT WORLD

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In This Issue

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Three Other Highlights

Ten Departments

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When all the shouting is over and the last campaign speech has been made, isn't this what all the struggle is really about?

You and your neighbors are going to march to the polls November 6 and settle things the American way.

Not by fists or by force, not with a penalty if you don't vote, or the secret police checking up to see if you did.

You'll vote because it's the thing to do.

Vote as you please, of course—but vote.

Vote for the party and the candidates you honestly believe will represent you best.

But also vote because you believe in this democracy of ours and you want to keep it the way it is—a country where you can have your say and nobody else can say it for you.

Everybody you know will be there.

We'll see you at the polls.

VOTE NOVEMBER 6th!

People, Products, Progress: 1975

Arch N. Booth
Executive Vice President
Chamber of Commerce of the United States
Washington, D. C.

(An address given at the 42nd Annual International Consumer Credit Conference, St. Louis, Missouri, June 19, 1956)

BY MIDNIGHT tonight, eleven thousand new citizens will have joined the national cradle roll since 12 o'clock last night. That is our current rate of growth—eleven thousand new American citizens every day, seventy-seven thousand every week. Today, we have more than 165 million people in America. Twenty years from now, by 1975, if the present birth rate continues, we will have 221 million. This increase in population is going to bring us countless problems. To begin with, we will need more food and more shelter. We will need to find one million new jobs each year because that many new persons will enter the labor market each year.

People and prosperity are not synonymous terms. High birth rates have brought misery, chaos, and starvation to many segments of the globe. But not to America, fortunately, because we have a free competitive enterprise system—a system that is geared to grow as our population grows. If we keep this system, keep it free and unhandcuffed by the controls of government, the year 1975 will find us in an era of technological advancement far superior to the wonders of today that were the dreams of yesterday.

An Age of Progress

It will be an age of progress achieved not in spite of our growing population, but because of it, and because of our free market economy. To show you that this optimistic outlook is not my opinion alone, I would like to have you join me at this crystal ball. It was given to us by some of the leading American industries, and it contains their predictions for our future. So, come a little closer—this is 1975, and here we go!

What about the food supply? The fertilizer industry says that today's arable farmland divides into individual shares of about two and one-quarter acres per American. By 1975, this individual share will have shrunk to about one and three-quarters acres. Does this mean we will have to be content with less food and less fiber? Not a bit! Your share of land in 1975 will produce as much (or more) food and fiber as today's larger acreage, because we are learning more and more how to overcome natural deficiencies of water, and deficiencies of minerals necessary to the growth of plants.

We already know how irrigation can transform a desert into cropland; but new commercially produced plant foods, compounded like a doctor's prescription, will make our soils yield the finest quality of product in teeming abundance, and at lower cost.

Increased yields per acre will mean more prosperity for the farmer and, for everyone in 1975, an infinite variety of nutritious food at lower cost. Also, your grocery bill will reflect some cost-saving advances in the distribution of processed foodstuffs, such as the widespread use of moving belts and automatic loading devices in food warehouses. The food chain industry says a punched card will tell an electronic machine that so many crates or cartons of a certain food are wanted at once and the machine will do the rest.

Your grocery store will probably look as though it has no doors. The entire store front may be open, with the outside separated from the inside by only a curtain of air—cool in summer, warm in winter—flowing from a vent in the ceiling to a grating in the floor. No outside air will penetrate the curtain, but of course, you can pass through it as easily as if it were not there.

You will probably be buying more prepackaged foods than you do today. Some of these will be equipped with chemical heating or cooling units that will enable you to cook or chill the product right in the package. And there will be no lengthy waiting at the check-out counter. An automatic computer will figure out your bill as the items you have bought pass under an electronic eye.

So we bring home the bacon—and what kind of home will it be? The nation's home builders predict the exterior design will be—well, take your choice. It is safe to say only that what seems unconventional today will be conventional tomorrow. The major changes probably will be inside the home. Many homes may do away entirely with walls between the living room, dining room, and kitchen. Some of the walls that are used, as in the bedroom area, will be of the storage type, with built-in dressing tables and plenty of space for clothing. The outer walls will be glass, because these bedrooms will open out onto private terraces.

Living in the House of Tomorrow

Indoor living and outdoor living will be on even cozier terms in the house of tomorrow. The important thing is the arrangement for indoor-outdoor living which will become as much a part of a home as the house itself. Still looking at the home of 20 years hence—the nation's private electric companies predict there will be available for each home enough electricity to do the work of a hundred servants.

High-frequency beams and refinements of existing electrical devices will light up your life. Enter a darkened room; wave your hand before a light-control panel and the room will suddenly be flooded with light. No switches, no buttons. The intensity of the lighting will be controlled the same way.

Wave your hand again—and fluorescent lights will drench the decorations and the furniture with blending or contrasting colors. Or maybe you prefer another color. Numerous combinations will be available simply at a wave of the hand.

You will not need to get up to close the windows when it starts to rain. Electricity will do that job for you. Automatic eyes will close windows and doors as the weather changes, and control home temperatures the same way.

You will probably have a dishwasher and clothes-washer in which ultrasonic waves will do the cleaning without mechanical agitation. High-frequency radiation will dry the dishes and the clothes and sterilize them. Twist a dial, and the clothes will move into an adjoining automatic ironer.

From the electronics industry comes a prediction that you will be able to change channels on your TV without leaving your chair. The television set of tomorrow will have a thin wall screen and be controlled remotely from a small box on a table. There will also be a portable version of the thin-screen TV set. Amid such surroundings, though, it is rather doubtful that the American male, even in 1975, will devote much attention to television.

And how do you like your indoor weather? Electronic wall and ceiling panels will cool your rooms or warm them as you desire. In the kitchen, ice cubes will come from a freezing and cooling unit in which the temperature is lowered by panels of tiny thermo-junctions. These panels will also be utilized in the electronic deep-freeze in the background. With the electric current reversed, similar panels will produce heat for the warming drawers near the table. And electronic exhausts without fans or other moving parts will expel cooking odors and stale air.

For home entertainment, you can use a tape recorder and a portable TV camera, to record pictures on tape and play them back on the family's picture-frame TV. And, of course, you will wear a two-way wrist radio, so Dick Tracy will have nothing on you.

If you like music, you can look forward to a wider use of the electronic music synthesizer. Operating from a coded paper tape on which is punched the musical score, this device will respond with the complete tonal effect of a full symphony, a tenor solo, a four-piano quartet, or a blues combo from Lower Basin Street. It will even produce musical sounds never before heard.

Now, here comes the gas industry with still other miracles for our future way of life. The New Freedom gas kitchen of tomorrow will provide a single wall, prefabricated as a unit, holding a complete array of built-in appliances operated by dials and pushbuttons.

Modern Home Appliances

Gas incinerators will appear and then disappear at your lightest touch. Dial-controlled hot-water faucets will serve water at any desired temperature. The gas industry proposes to revolutionize the preparation and preservation of foods. The gas refrigerator will emerge from the wall, or retract, at a touch of the finger. Hidden cooking units with flush surfaces will appear instantly when needed. The gas heat pump will satisfy every temperature whim of any family, winter-wise or summer-wise, and will also provide a constant supply of hot water.

Precision-controlled gas will fuel many of our industrial plants and whether slow-baking or high-speed heating is required, gas will be well suited to the automatic factory of the future. You might think that we may run out of gas with all the expanded usage, but the industry says "No." Deeper drilling and wider exploration will tap vast sources of natural gas, and revolutionary new processes will transform plentiful raw materials into manufactured gas.

At this point, we move to a preview of the city of tomorrow as envisioned by the cement industry, which predicts ever expanding use of concrete for highways, streets, airfields, bridges, buildings. How about a thin-shell concrete roof, spanning 500 feet without intermediate support? The cement industry tells us that this type of roof will be especially useful in transportation centers that co-ordinate rail, air, and bus facilities. Tomorrow's pre-stressed concrete bridge will span a wide distance without intermediate support. Even today, engineers are talking realistically about such bridges 500 feet long.

The Buildings of the Future

Concrete buildings 40 stories tall, ten stories higher than the tallest concrete structure in the United States today, will be commonplace, because we are developing light-weight concrete of great strength. Within the city of the future the conveyor manufacturing industry will help alleviate pedestrian and automotive congestion. At fringe parking lots, drivers will leave their cars and step onto a conveyor belt that will carry them underground to continuously moving conveyor carriages that will transport them rapidly into the city proper. In the city, beneath the main shopping district, there will be an underground conveyor system which shoppers may use to move from store to store. After business hours, this same conveyor network will be used to deliver freight to stores from warehouses outside the downtown area.

We also can expect to see conveyors in wide use at airports, and railroad and bus terminals. And perhaps the crowning touch will involve the use of conveyors in the stadium of tomorrow to take you up before the game and to take you down after the last whistle blows. Conveyors also will serve many kinds of industry in a variety of new ways. We can expect to see a twentieth-century version of the old-fashioned covered bridge; a covered, two-way, industrial conveyor extending for miles across the countryside, freighting raw materials in one direction and finished products the other.

Enter now, the nation's steel industry, looking ahead to ever increasing productivity. A wide variety of improved steels will make possible a gas turbine-powered automobile on a mass-production basis. Even more highly specialized steels may aid in developing an atomic-powered automobile which will be equipped with electronic devices to alert the driver to road conditions far ahead, plus an automatic "brain" that will park the car (something we could all use).

Next Annual Conference

The 43rd Annual International Consumer Credit Conference of the National Retail Credit Association, Associated Credit Bureaus of America and the Credit Women's Breakfast Clubs of North America, will be held at the Fontainebleau Hotel, Miami Beach, Florida, June 16, 17, 18, 19, and 20. 1957.

Office buildings—sheathed in stainless and porcelain-enameled steels—will add majestic splendor to our skylines. All-steel homes, expandable, portable, and fireproof, will be mass-produced for low- and middle-income groups. And you can have a steel swimming pool behind the house.

Some new types of steel will be a major factor in developing atomic power plants, opening new frontiers for modern-day pioneers; new homes, new business and new industry. Other new kinds of steel will be used in jet- or nuclear-powered airliners. And new steels that are able to withstand temperatures and corrosive conditions never before experienced will enable huge, man-carrying rockets to knife through the earth's atmosphere into outer space.

Our Conquest of Space

Our conquest of space will begin with the establishment of space stations, fully manned and intricately equipped; with supply and launching bases for further exploration into the mysteries of space. There is one mystery, though, for which the steel industry predicts no solution. It seems there is no hope for creating a golf club that is guaranteed to cure a slice.

What about lumber? The lumber industry predicts that live, growing trees will be injected with hormones, radioactive materials and other stimulating substances to preseason the wood, create fire-resistant qualities, and, of all things, to stain the wood in desired colors while the tree is still growing.

Logger-type helicopters will be used to remove trees from deep canyons and steep mountain sides, areas where timber once was inaccessible. In tomorrow's sawmill, the sawyer will have a mammoth TV screen showing him the log as it arrives in the outside cutting room and an x-ray picture of the grain of the log to guide him as he positions it for the best separation. The log will be sliced by an invisible cutting ray, leaving the boards smooth, edged, planed, and producing no sawdust. One of lumber's many uses will be in the widespread application of the trussed rafter, which eliminates the necessity of propping up the roof and ceiling of a house with interior walls. This will make the walls movable, either manually or by electricity.

Comes now the transportation industry with its forecasts for the most traveling people in the world. The railroad industry predicts that radar impulses will transmit signals to locomotives, as well as to track-side switch controls, contributing to ever safer train movement. There also may be several new types of articulated passenger trains characterized by lighter weight, plus an ability to negotiate curves at greater speeds. Some of these trains may be pulled by atomic-powered locomotives. The Atomic Energy Commission already has approved the proposal of at least one railroad company to explore this possibility.

Inside the new train, you will find floating chairs, hideaway tables, and adjustable partitions to create a semi-private compartment for your own party. Hidden conveyor tubes will bring your food and beverage, and conveyor aisles may help you get from one car to the next. The train for the rail commuter will be domed and double-decked, with lots of color and lots of chrome and with every convenience short of a swimming pool.

In the triple-decked classification yard of the future, where thousands of freight cars will be sorted and rearranged into new patterns of outbound traffic, cars will be switched electronically to the proper tracks—and TV cameras will provide for long-range inspection and recording of all cars. There will be a machine that will take up old track and lay down new, while at the same time it will widen and grade the roadbed, ditch for proper drainage, pull and drive spikes, replace old crossties with new ones, and replace and tamp rock ballast under and around the crossties.

We sometimes think the future is already here in the aircraft industry, but the industry says not. It has all kinds of new wonders on its drawing boards: for example, a jet-propelled freight plane capable of carrying a 100-ton payload at a speed of 600 miles an hour. For the air traveler, 200-passenger airliners will make the Washington-to-Paris flight in less than three hours, at 1,200 miles an hour, and 50,000 feet up. For a short flight from your suburban home to your downtown office you can take a 30-passenger helicopter at a neighborhood terminal and get to work at three miles a minute. The plane for in-between distances (as from Washington to Chicago) may turn out to be the first practical flying saucer. This will carry 100 passengers at speeds of 600 miles an hour.

Coming back to earth, we find the truck and truck-trailer industries predicting that trucks like this will operate cross-country in specially constructed truck lanes. Some tractors will pull more than one trailer and the trailers will have clear plastic tops, admitting light for the benefit of freight handlers. The power for this high-speed vehicle will come from an atomic power plant under the driver's quarters in the tractor. Nuclear fission will generate electric power that will be transmitted to individual electric-drive motors on each axle. Inside the cab will be new safety devices, such as small TV screens on the instrument panel to give the driver and his relief man a view of everything on both sides and in the rear.

Future Styling of Automobiles

One automotive engineer predicts the styling for the car you will use for in-town driving will carry four people in fixed seats. It will be about the same size as today's car, although much lower, and will have its power plant in the rear. For long-distance traveling, the car of tomorrow will be faster, larger, and even more luxurious. This highway cruiser will be much lower and wider than today's automobile. Longer, too, measuring perhaps 20 feet. It will provide safe, ultra-high-speed transportation over a network of limited-access superhighways.

Tomorrow's hotel will feature a drive-in entrance for guests who arrive by car. Elevators will carry the car, the baggage, and the customers upstairs. All guest rooms will be on the building's outer ring. The interior is for parking purposes. Guests arriving by helicopter will find parking space on the roof. In the hotel kitchen,

individual packages of precooked meat and vegetables, preserved by irradiation, will be heated in electronic heaters and, seconds later, the food will move on conveyors to the waiters' pick-up spot. Present methods of patrol and reporting for maximum guest security will be replaced by television cameras hidden in the decorations at the ends of all hotel corridors. Monitor screens for these cameras will be located in the hotel's central office. By pressing a button in the guest bathroom, you can sanitize the room and all its fixtures instantly with an odorless and harmless gas. Under the sink will be an automatic washing machine and dryer.

The bedroom will feature a control panel which will enable you to regulate the softness or firmness of your mattress. Food, beverages, newspapers, and other small items will be delivered by pneumatic tube which will not suggest a tip. Telephone calls will be accompanied by a TV picture of the party at the other end, but picture transmission will be subject to individual control. If your party has just stepped out of the shower, you probably will not even get a test pattern.

In spite of all of this, our most important product of the future will still be the product of our schools. Tomorrow's children will find their schools more beautiful, more useful, situated on larger sites with more outdoor work and play areas. As this scene shows, it will be common practice to separate various school activities in specialized buildings. Self-contained classrooms will be equipped for the use of films, television, recordings, literally to bring the world into the classroom. The furniture will be flexible, healthful, and comfortable. The working area will be adaptable as a stage for classroom dramatizations. The design and equipment of tomorrow's schools, plus the essential efforts of well-qualified teachers, will be aimed at maximum development of all of our children, whose hands and minds must be ready to accept the responsibility and the challenge of the future.

These new developments of tomorrow will do much more than make for comfortable, enjoyable, and luxurious living. They will also create needed new jobs, and keep our economy dynamic, and our country moving ahead, provided:

We continue to give men and women incentive to work and produce.

We make it possible for people to save a part of their earnings.

We make it profitable and worthwhile for them to invest their savings in productive tools and equipment.

We make these other provisions reality by continuing to work together through trade and professional associations, through local and state chambers of commerce, and through the Chamber of Commerce of the United States.

If we can do this, and there is no reason why we cannot, 1975 will not be a stopping point. There will be no standing still for us in America. So long as we maintain our free market economy, our American way of life, each new threshold we attain will be only a springboard to still another threshold. One thing to remember, *there will still be a great future even in 1975.* ★★★

A Word of Caution

Paul M. Millians
***Vice President,* Commercial Credit Company**
Baltimore, Maryland

(An address given at the 42nd Annual International Consumer Credit Conference, St. Louis, Missouri, June 18, 1956)

FOR SEVERAL YEARS it has been my pleasure to meet and talk to you. More importantly, you have "talked" to me, because by participating in your conferences I have been able to grasp the ideas and beliefs of others and check them against my own. That has been good, because ideas and beliefs are very much like children—your own are wonderful.

Our talk today is to be directed particularly toward consumer credit, and the topic, "A Word of Caution."

At the past three successive conferences we have discussed "The Outlook," which has been attempts at business forecasting.

Frankly I am glad for this year's change. I have never wanted to be a forecaster anyway, for it is a short and unhappy life at best; especially right now when conflicting trends and both good and bad spots in the over-all economy have an increasing number of business observers perplexed over the future. More than in recent years the business outlook is many-faceted, like a diamond reflecting various colors; each facet determined by the angle of approach. However, we should add that our best prophets on matters economic feel that there will be no growth or bunching of the bad spots sufficient to cause any serious trouble.

In the true sense of the word, "forecasting" will never be possible and we say this despite an opinion to the contrary expressed by a distinguished forecaster, "Dizzy" Dean. You probably remember when St. Louis was to play Detroit for the World Series, "Dizzy" told everybody that he and his brother, Paul, would win four games and the Cardinals would take the Series. "Dizzy" and Paul did and the Cardinals did; and when he was asked about it afterward "Dizzy" said, "You can be a crystal ball gazer if you want to stick your neck out. If you know your onions you are bound to be right some of the time; and if you wurn't you just don't remind no one."

Nevertheless, we leave this year's forecasting to others and get to our topic. As a talk pattern:

I should like to first speak with pride about consumer credit, more or less as background. Then I should like to assemble a few statistics and some broken pieces of thought on growth of consumer debt, and suggest a word of caution about consumer credit trends. After this I want to share with you some of my hopes.

Beginning with the beginning, rather than expressing my own prejudiced convictions on the proud place consumer credit occupies in the economy, as one speaker slipped up and said, "take the word of someone who knows what he's talking about":

Paul Mazur, partner, Lehman Brothers, and author of the interesting and helpful book, *The Standards We Raise,* is convinced that consumer credit, specifically instalment credit or what he prefers to call "fractional payments," ranks high as a device to improve material well-being and provide higher standards of living; and that only by use of such credit could we have built "the miracle of American production." Notable, too, is the testimony of William O'Neil, chairman-president, General Tire and Rubber Company: "Finding a way to give credit to the little fellow marks the difference between America and any other country in the world."

And while the idea has developed a considerable amount of "hen and egg" thinking about which comes first, production or consumption—which one makes the other one happen—some interpreters of the current scene contend that much of the present broad-based prosperity in this country is due to consumption coming first through use of consumer credit. Their reasoning is that buying into the future on time creates demand which in turn creates production and employment, and thus the income with which to pay the debt that started the production in the first place.

All agree, of course, that economic welfare depends upon both production and consumption, for it takes both to complete the economic cycle; they are reactions to each other. But the newer thought is that wide use of instalment credit in its variety of forms creates authentic purchasing power for its user before the actual fact of production has created the equivalent purchasing power through wages.

Any final answer on which comes first, production or consumption, we must submit for further debate by professional economists. But one we do not have to submit is the challenging and intriguing thought that consumer credit creates purchasing power for millions whether they have spot cash or not, and the tremendous force of this on consumption is undeniable.

Place of Consumer Credit in Economy

Notwithstanding the proud place consumer credit occupies in the economy, there is much argument "about it and about." If we may continue with a re-worked line from Omar, some of the arguments come out at about the same door wherein they went.

Some are rational and objective; though earnest men using the same information differ widely on whether consumer debt is too low or too high in relation to something or other like gross national product, or disposable income, or a standard of living we all hope for and deserve. In this connection maybe there is some truth in the observation: "Economists, after all, are individualists; no economist feels that his findings should agree with those of any other economist."

Some arguments appear more emotional than objective—for example, opinions we have heard that a

majority of Americans have become profligate spenders and apostles of the full use of their credit resources; and that we in consumer credit management have been guilty of high, wide, and uncurbed neglect of sound credit principles.

We cannot venture far with an examination of these arguments; however, we have time for three conclusions. First there is the frequently discussed question of size of consumer debt. How do we measure high? Statistically we know that since 1940, the last normal pre-World War II business year, the total of consumer debt (exclusive of mortgage debt) has multiplied nearly five-fold: $8 billion in 1940 to $36 billion in 1956. On the other hand we also know that the relative magnitude of today's consumer debt is not out of line with expanding dimensions of other measures of the economy. Percentage-wise, today's consumer debt equals about 13 per cent of the annual disposable income, the so-called "ability to pay" of consumers; and with all the talk we hear about "dangerous growth" of consumer debt, if we measure the $6 billion increase in 1955 against disposable income it amounts to only two per cent. And only relatively can we understand anything. In relation to size a mouse has more skin than an elephant.

Furthermore, when we condition our thinking to inflation, a fact well known but not found in print often enough is that today's consumer debt of some $36 billion would be only $19 billion in 1940 prices. Put another way, of the growth of $28 billion since 1940, at least $17 billion, or around 62 per cent, is due to higher prices. But where are we with all the statistics of growth of consumer debt? The important question on whether consumer debt is "too high" is what is down underneath. Obviously if 99 per cent of the individual transactions supporting total debt are sound, no total can be unsound.

Breakdown of Consumer Debt

We really know nothing until we know the breakdown of consumer debt throughout the population. What are the collateral values or other assets, the kind of employment and income back of individual transactions? With total debt of the individual and his living costs considered, are these together in some convenient proportion to earnings over a given period of time? Someone referred to this time factor, debt maturity, as "debt comfortably amortized," an important consideration in any debt structure.

We know very little about the breakdown of consumer debt. This question is part of the "multi-pronged" study of consumer credit now being carried on by the Federal Reserve Board. Moreover, statistical history offers poor contrast with today's use and promotion of consumer credit. The past is not present in the contemporary consumer credit picture. Let me elaborate briefly.

Reading a recent issue of THE HARVARD BUSINESS REVIEW, we came across a mouth-filling but meaningful term, "Innovistic Competition," and with this as a reminder we offer the thought that innovations and changes in production and distribution under pressures of competition have impelled a greater use of consumer credit than ever before.

American production has been constantly developing new products and bringing about a progressive obsolescence of old products to increase sales, or to keep sales up—products that are largely sold on some time-payment plan. You will think of a dozen such products. For example, as late as 1946 only about 7,000 television sets were sold, but in 1956 sales will be somewhere around a thousand times seven thousand, or seven million. In addition think of steel kitchens, deep freezers, washers and dryers, and a host of other new and improved products too numerous to even list.

More in recent years than ever before, American distribution has found consumer credit to be a first-class selling tool; an opinion which finds support in some very first-class places: Not long ago FORTUNE Magazine in an article, "Why Do People Buy?" called time-payment credit "the most persuasive element in distribution." Recently, THE WALL STREET JOURNAL in a credit story carried the line "the miracle-working sales wonders of instalment credit." Therefore in recent years, far more than historically, credit sales have been extensively and aggressively promoted.

Revolving Credit Accounts

From its original area of consumer durable goods, instalment credit has spread to "revolving credit accounts," now widely used for time-payment buying of non-durables. From its original area of durable goods to all manner of goods and services; "Trip-Credit" cards, good in hotels, restaurants, even florists; hospital "Courtesy Cards"; home decorating and home repairs; art—art is now being sold on time in Taos, New Mexico; bulls; a cattleman in Louisiana plans selling $3,000 to $4,000 bulls from his pure-bred Santa Gertrudis herd on time, because, as he says, "A lot of farmers would like to have one of these bulls but they do not have the cash." Even morticians are in the time-credit business: One in Los Angeles advertises, "Use Our Lay-Away Plan. Pay Now. Go Later."

If there is any excuse for mentioning this "lay-away" plan, it is that nowadays with time-credit available to finance almost anything, credit has become more agreeable to more and more people—and in this we have another reason for debt growth.

With most people, though not quite all, debt has lost the puritanical stigma that plagued its beginning and the earlier years of its growth: Middle- and lower-income groups and many of the "wealthy" have found a big difference between the Puritan's idea of "going into debt" and the more up-to-date idea of enhancing one's capital values on credit.

I wish we knew the total of capital values held by consumers, both existing equities and the fully-paid-for values, gained through some form of time-payment buying.

No exact figure can be found and perhaps one could not be calculated. However, I submitted the question to one of Commercial Credit's researchers before coming here, and he estimated that out of $170 billion of durable goods of all types bought on time since VJ Day in 1945, the depreciated stock of durable goods now held by consumers has a value of somewhere around $55 billion.

And as a postscript to this, we remind you that here is a huge savings fund created out of instalment buying of automobiles and other durable goods whose years of service and utility outlasted the payments, an impressive

negation of the "mortgaged future" concept of instalment credit.

If we needed a single reason for the height of consumer debt and its growth in recent years, it would go something like this: Consumer debt is high, it has grown, because through the use of credit and the ingenuity of American production and distribution we have built in this country a high-level economy in which more people have a wider margin of income over mere subsistence with which to buy—on credit. It is substantially correct that with all the whys and wherefores about consumer debt, its growth and decline result more from income variations than anything else.

Looking Into the Future

Concluding our discussion of consumer debt, we look ahead despite what we said in the beginning about forecasting. Though economic seers are walking more softly into the future than for sometime past, for the longer view there is wide agreement that what lies ahead is more vast than anything we have seen. Advanced technologies bordering on revolution; new products and new ways, new adaptations of old products and old ways flowing from practical research by businesses and universities—virtually no limit to future growth of production and mass distribution.

Perhaps many of you have read the book, *New Horizons in Business,* published by Harper and Brothers. In it there are eight long-term projections by eight top economists of the country and—even allowing for a wide margin of error—the very lowest projection indicates great growth.

Basically, consumer credit must be free to grow sensibly and soundly with this growing economy. It must not be bound by excessively austere viewpoints on how much consumer credit the nation can stand, for unless this is so there will be no great future for America. Inherent in mass production and mass distribution is mass financing, and to restrict credit too much would be a drag chain on progress. For the longer view, the growth potential of consumer credit should forever heighten all of us working in it.

We have left for discussion what we called "emotional arguments" about the consumer and credit management. As anyone working in consumer credit knows, the belief that a majority of consumers are profligate spenders and full users of their credit resources just is not so. There are a few exceptions, naturally, but most men and women who buy on credit are overwhelmingly honest and do without if possession means going into debt beyond ability to pay. Actually, on the whole, people limit debt more than credit management restricts it.

Indeed, one of our big jobs in credit sales promotion is to try to persuade more people to use their unused but perfectly good credit resources.

The belief that any large body of consumer credit managers have been guilty of high and wide neglect of sound credit principles fades somewhat as time goes by and liquidation of outstandings, the pulse of credit health, remains good by all historical standards.

Of course past-dues are up some, not much, however, and there is nothing to be concerned about. And short of a major business recession, which none predict, liquidation of consumer debt outstanding should remain good.

But this notwithstanding—as the poet said, "Our tomorrows are but yesterdays," and thus poetically we approach the topic itself: "A Word of Caution."

Recently I heard a definition of excessive drinking: "Excessive drinking is drinking between drinks." In somewhat the same sense, we can agree there is an awful lot of truth—we might say a lot of awful truth—in the thought that credit management in recent months has been doing some drinking between drinks (credit wise, that is); excessive in a degree.

How come? You know the answer.

To match high-powered selling in many lines, competitive demand for easier terms and lower credit standards of risk has been insistent, and in varying degrees credit sources have gone along with this demand. Some, deliberately and with forethought. Others, under pressures of competition (and we have competition in credit, too), have felt forced to violate their own minimum standards and practices and follow. After all, to say, "Let competition have it!" requires courage and wisdom.

As a result of this competitive pressure and the disposition of credit sources generally to go along with it, the consumer credit base has been weakened to some extent: By thinner purchaser equities in durable goods financing provided by lower down payments and longer average terms; and, in addition, by too little attention to the important factor of purchaser risk. In open account retail transactions, by reaching out and down for the marginal and poor risk.

There is no serious weakening—yet. Rather we caution together here today because of a bad trend—and because we are old enough and wise enough to know that if the trend continues, if there should be any sizeable accumulation of substandard consumer debt, it would be not only a menace to our own business, but a source of instability in the economy as well.

What Is the Answer?

At which point of our talk we are left with an enormous question mark: "So What?" Therefore, stay with me a little longer for I have an answer to suggest under the third and final part of our subject, the hope we share. There is much talk about the present being "a time for greatness." Winston Churchill expressed it as "measuring up to the level of events."

Whatever our transgressions have been, let us hope that from this day forward we in consumer credit management will measure up to the level of today's credit events and resist demands for credit which testimony of experience and the statistics of all consumer credit prove to be unsound.

We offer no manual on sound consumer credit operations, nor is one needed. With durable goods financing you know that "purchaser equity" is one of the oldest rules there is, and it remains basic despite a growing belief by some that "purchaser risk" makes up for "no purchaser equity." Many qualify for credit without collateral, but for the group demanding credit so "easy" that reasonable purchaser equity cannot be maintained, just purchaser risk will not get enough of your money back. So you wrote the manual on open-account retail credit.

Resist demands for credit below minimum standards,

whatever the pressures of competition. We all have to compete, of course. Success in business goes only to those who compete successfully; however, when within knowledgeable limits we follow substandards set by competition we indict our own better judgment and in the process court loss and ultimate disaster. Moreover, "meeting competition" is often a big, fat, easy excuse for failure to "sell" credit. Here is the proof. Interviewers in a number of actual tests were able to switch 30-36 month deals to 24 months and a better down payment which buyers could comfortably afford. The prospective buyer was shown in black on white impressive advantages to him for improving terms.

Easy? Measuring up? Not at all. But a little effort by everybody to maintain sound and sensible consumer credit standards will help mightily. Green, the historian, tells us that, "The world is moved not only by mighty shoves of heroes but also by tiny pushes of each honest worker."

A word of caution? If together as credit managers we do not measure up, we are likely to go down the road together to central government control of a phase of our economy that has shown one of the finest records under private management.

We express no conclusion on federal regulation of consumer credit. Still under the heading of hope, I feel an urge to say this: The President's request for study of consumer credit by the Federal Reserve Board asks that it be made "with particular reference to the probable effects of credit controls on general economic stability and the welfare of individuals and families."

In that general direction, let us hope that those who are conducting this study will begin with no deep conviction that we need consumer credit controls. We say this because here and there in Washington there is a clamor for controls; and if we have read our psychology correctly, people tend to expose themselves to information which is consistent with their prior attitudes and to avoid exposure to information which is opposed to these attitudes.

The consumer credit picture is not perfect—nor will it ever be perfect; it will invariably have imperfections because it is human. Credit can never be made into a mathematical model.

But with its imperfections conceded, we should still objectively and seriously consider whether government should supervise actively and regulate and control credit relations between private parties. Past experience in this country with government as a consumer credit manager was not good. And in England where credit controls were reimposed last year, BUSINESS CREDIT, a "hire purchase" journal published in England, reported recently that "control is being thwarted by the deliberate and calculated way in which Hirers obtain credit," and that, "the credit crackdown is cutting business to shreds."

Maybe there should not be a law? Maybe we should hold the line more on our traditional beliefs in the power and the glory of unregulated enterprise?

In his *Wealth of Nations,* Adam Smith, you may remember, contends that the private interests and passions of men working in a free market provide a self-regulating system which is its own guardian—self-interest and competition are acting one against the other. Seventeen seventy-six economics, you may say. And it is. However, much of its truth still prevails.

Room for argument in favor of government control of consumer credit lessens as credit sources and consumers themselves operate to blunt extremes in matters of unsound credit, the unfavorable trend we have discussed. Experienced credit sources systematically watch by classification any excess accumulation of substandard risks; and in situations where such conditions exist, self-interest has already gone to work to correct the excess. We weep in "noncompetitive" sympathy for the inexperienced. Four times since 1940, consumers in their self-interest have cut down sharply on the use of consumer credit when lack of confidence in the future economy developed and employment seemed a little less secure. So we come back to where we started. The need for government control of credit should be studied objectively and seriously. In a meager and insufficient way we have said:

Consumer credit occupies a proud place in the American economy.

Consumer credit is high, higher at least than it has ever been, but not out of line with other expanding dimensions of the economy. There are good reasons for the growth of consumer debt.

Total consumer debt remains sound.

Consumer credit trends have been unsound; and we share together the hope that credit management will correct its own transgressions, whatever these have been.

Questions of government control of credit (stand-by control as a first step) should be studied objectively and seriously.

Sometime back we mentioned new horizons for business, the projected great growth in our economy. For that growth there will be need for mountains of merchandise that will require billions of credit, so it seems safe enough to do a little forecasting in the end and say that up those mountains is a high road to a new executive summit for credit management. ★★★

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REGISTER! INFORM YOURSELF!

William Hard

ONCE AGAIN in a Presidential-election year The American Heritage Foundation, a non-profit, non-partisan enterprise, is putting on a massive nation-wide campaign to persuade all voters to vote on November 6. But this time it is putting a special emphasis on a vital point.

With the help of some 130 coöperating organizations—of business executives, trade unionists, farmers, lawyers, librarians, teachers, actors, religious groups, racial groups, veterans' groups, fraternal orders, women's clubs, etc., etc.—it is saying to the voters:

"Register! *Inform Yourselves!* Vote!"

Its outstanding slogan this year is: *"Vote—But Don't Vote in the Dark!"*

It is a theme that goes to the very root of the destiny of democracy in the world. It has been echoed this year by many state governors. They have issued proclamations saying:

"Whereas non-thinking citizens who neglect to vote *or who vote without informing themselves on the candidates and the issues* are weakening and jeopardizing our American system of representative government; and

"Whereas a great outpouring of voters at the polls will convincingly demonstrate to the rest of the world that we cherish our precious freedoms and are determined to defend them;

"Now, therefore, I proclaim 1956 to be THE YEAR OF THE INFORMED VOTER."

Properly, these governors speak of what our voting performances mean to "the rest of the world." An American election today is not just an American event. It is a crucial international event. There could be no more competent witness to this fact than Gen. Alfred M. Gruenther, Supreme Commander of the North Atlantic Treaty Organization. In a letter to John C. Cornelius, president of The American Heritage Foundation, General Gruenther utters an appeal that should strike to the heart of every American. He says:

"At no other time in the history of our nation has it been more imperative that Americans understand the vital problems that are being faced by their Government and the great need for every American to participate in their solution. For the mantle of world leadership has been thrust upon the shoulders of the United States at a time when freedom in the world is in great jeopardy.

"Although I never cease to be proud of being an American, I have been impressed during my five years in Europe by the high percentage of Europeans who go to the polls to vote. *Their record is better than ours in this all-important matter of individual participation in government.*

"I am sure that the American people, in their new and vitally important role, will rise to the challenge."

This is a sermon that should bring us Americans to considerable repentance and to a considerable purpose of amendment. For let us take a short glimpse at our recent voting record.

In 1952 The American Heritage Foundation waged its first nation-wide effort to bring out the vote. It employed all known devices. Radio. Television. Newspapers and magazines. Billboards and car cards. Gags. Stunts. For the first time the American voter was assailed by all the shots and shells of a complete, modern sales campaign. And it got good results: in 1948 only 51 percent of eligible voters had voted; in 1952 this percentage jumped to 63.

But let us now soberly reminisce a bit. In 1900 the percentage of eligible American voters who voted was well above the 1952 record—73.5. And in 1880, long before the days of radio and television "mass media" campaigns, the percentage was 78.4.

Even sadder is what happened right after 1952. The American Heritage Foundation transferred its attention to gathering support for Radio Free Europe, which broadcasts messages of democracy to European peoples under Communist rule. The Foundation took little part in the workings of democracy in our Congressional elections of 1954. So what happened? So the percentage of eligible voters who participated fell to 52!

In such circumstances people's minds sometimes turn to the idea of compulsory voting. It is not a new idea. It has been tried, off and on, by some 20 countries. The countries that enforce it most zealously—by levying fines on non-voters—are Belgium and Australia. They can show fantastic results, arithmetically speaking. The customary turnout of Belgian voters in postwar elections has been better than 95 percent. In last December's elections in Australia the turnout was 97 percent.

So it is certainly proved that a government can drag a mulish voter to the voting trough. But can it make him *think?* Can it make him inform himself as to issues, as to candidates? Of course not.

Yet the compulsory-voting idea begins to raise its head in this country too. A bill introduced in the Wisconsin legislature proposed that a non-voter be punished not merely by fine but by imprisonment! That is, to teach liberty to a citizen, you lock him up!

Legislation to *compel* the exercise of liberty is a denial of liberty. Liberty is a free inner impulse or it is nothing. Judge Learned Hand of New York, sage of American jurists, has poignantly said: "Liberty lies in the hearts of men and women. When it dies there, no law can save it."

It is to be observed, further, that no compulsory-voting laws exist in certain countries where free hearts and free minds produce larger election turnouts than we produce in the United States. Note the turnout of voters in the most recent elections of national legislatures in these countries:

Britain: 77 percent. Sweden: 79. Norway: 79.

Denmark: 81. New Zealand: 92. Italy: 94. Austria: 96!

Here are records for us Americans to shoot at. Records made without compulsion. Records made only by the method that The American Heritage Foundation favors and follows: *persuasion.*

You will find it difficult to dodge the arrows aimed at you by the Foundation between now and Election Day. All radio and television networks have assigned top-level executives to see to it that you get reminded of November 6 by voices in your living room and in your kitchen. The Advertising Council is thinking up emphatic remarks for those voices to utter. Gerald Marks, who wrote the emotional song "All of Me," has produced a new emotional political song entitled "When You Reach the Age of 21."

Perhaps you leave your radio and television sets and flee to the movies. You have not escaped. The Motion Picture Association lies in wait for you with special films about voting.

So you rush to the ball park? Ford Frick, commissioner of baseball, is ready, in scores of ball parks, to blast you with vote messages from loudspeakers. So you hurry back home? There, next morning, you are likely to find a vote message around the neck of the milk bottle on your back porch.

In 46 out of our 48 states there is still time for you to register for casting your vote on November 6. But in many states the time is getting short. Hurry! You are careful to get a license for your car to be on the road. Be at least equally careful to get yourself a license to help put your country on the road you think it ought to pursue.

Your one ballot could have a lot of leverage. In 1952 Adlai Stevenson carried Kentucky over Eisenhower by just 700 votes. The margin there between the two candidates for President was less than 7/100 of one percent of all votes cast. In many states a few ballots, one way or the other, can be decisive.

But now to your next high duty! The Citizenship Clearing House (affiliated with New York University) has realistically observed: "Unenlightened participation in an election may sometimes be worse than non-participation." So: "Inform Yourself." But on what?

You will have ample opportunity to decide upon the relative merits of the Presidential candidates, and it should not be difficult to find out the qualifications and political viewpoints of Congressional aspirants. But it is clearly impossible to inform yourself in a few weeks on all of the public problems that confront the Congress and the President. You could concentrate on one probelm, the greatest problem: the struggle between the United States of America and the Union of Soviet Socialist Republics. What should be our policy in this struggle?

You could begin by getting the best *partisan* information about it. The informational agencies of the Democratic and Republican parties are their National Committees. Write to them. Lay it on the line: What is the policy of your party toward the Soviet Union? Buy two postage stamps, and address:

Democratic National Committee, 1001 Connecticut Avenue, N.W., Washington 6, D. C.

Republican National Committee, 1625 Eye Street, N.W., Washington 6, D. C.

You have now spent ten minutes and six cents on becoming an informed citizen. But you may have to spend several hours reading what you will get from these two energetic and eloquent committees. They are very partisan. Certainly. Our Government is a government by parties. There is also such a thing, however, as non-partisan information, based on non-partisan research.

One long-established source of such information is that group of industrious and vigilant citizens, the League of Women Voters. It has some 125,000 members in 1004 local leagues throughout the country. It has a vast mound of national data accumulated through years of research effort. Look in your telephone book for the local address, or write to National Headquarters, League of Women Voters, 1026 17th St., N.W., Washington, D. C., and ask to be put in touch with the local league nearest your home. These ladies will make you learn—or know why.

Another long-established source of non-partisan information is the Foreign Policy Association. It has a question chart entitled, "How Can the United States Meet Russia's New Challenge?" Write for it. Address: Foreign Policy Association, 345 East 46th Street, New York 17, N. Y. You will get not only the question chart but a provocative 'Opinion Ballot" on which you and your family can register your own views when you have thought them out. Cost of these two documents: a three-cent stamp on your envelope and ten cents in stamps inside the envelope.

You may now begin to suffer one penalty. All political studies show that an informed citizen is likely to become an active citizen. If this should happen to you, and if you should want to take part in getting out the November vote in your community, write for tested helpful hints to The American Heritage Foundation, 11 West 42nd Street, New York 36, N. Y.

Your energy as a voter and as a vote promoter will rise higher and higher, I think, if you more and more ponder General Gruenther's message to you. You are a citizen of one country, but today you are an influence in all countries. We Americans carried to these shores the messages of religious teachers in ancient Asia and the messages of political teachers in all parts of Europe. Out of them we have developed a philosophy tenacious of their oldness but leavened with our newness. Now Europe and Asia look to us for some sort of message worthy of the messages they gave us. How can we develop such a message unless we conserve and advance our own individual and national responsibility? That responsibility means that we must read, we must listen, we must study, we must think—and then say at the polling places what kind of country and what kind of world we want. ★★★

LOCAL ASSOCIATION *Activities*

Richmond, Virginia

At the annual meeting of the Retail Merchants Association of Richmond, Richmond, Virginia, the following officers and directors were elected: President, Russell L. Rabb, The Spotless Co.; First Vice President, William B. Thalmimer, Jr., Thalmimer Bros.; Second Vice President, Alfred C. Thompson, Miller & Rhoads; and Executive Secretary-Treasurer, George C. Robinson, Retail Merchants Association. Directors: Charles W. Appich, Emrick Chevrolet Sales Corp.; Alvin Baum, Bam's; David A. Brown, The May Company; John L. Burke, Burke-Hoggard; Irving Greentree, Jr., Greentree's; A. A. Hawkes, Hawkes Furniture Co.; T. Armistead Heindl, Walter D. Moses & Co.; Gaston Jacobs, Sr., Jacobs & Levy; James P. Jones, J. P. Jones Furniture Co.; Alexander A. Livingston, Southside Hardware Co.; W. E. Locke, Grant Drug Co.; Kenneth Lord, Furniture Shop; D. Walton Mallory, Jr., D. W. Mallory and Co.; J. J. Markow, Markow's Florist; J. T. Mathews, Sears, Roebuck & Co.; Ernest J. Mehlbrech, J. T. Allen & Co.; Paul H. Pusey, Paul H. Pusey, Inc.; Sol M. Schwarzschild, Schwarzschild Bros., Inc.; M. Shevel Siff, Young Men's Shop; Robert L. Waters, Florsheim Shoe Store.

Nyack, New York

At the organizational meeting of the Retail Credit Association, Nyack, New York, the following officers and directors were elected: President, Morton Ellish, Ellish, Inc.; Vice President, Harold Meyer, Neisner's; Secretary-Treasurer, G. Winthrop Wells, Credit Bureau of Rockland County. Directors: Walter Heilbron, Van der Walde's Department Store; and Estelle Kerchman, Kerchman's Ladies' Wear.

Sacramento, California

The Retail Credit Club of Sacramento, Sacramento, California, has elected the following officers and directors for the ensuing year: President, Howard Kennedy, Weinstock-Lubin & Co.; Vice President, Howard Matson, Tidewater Associated Oil Co.; and Secretary-Treasurer, Mae Baldocchi, National Ice & Cold Storage Co. Directors: Howard Freeman, Freeway Automotive Service; Blanche Pratt, Dr's Henderson and Fortune; Manny Schuld, Pacific Gas & Electric Co.; and Charles Engdahl, Bank of America.

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

St. Petersburg, Florida

At the annual meeting of the Associated Retail Credit Granters of St. Petersburg, St. Petersburg, Florida, the following officers and directors were elected: President, Edwin L. Frizen, McIntyre Ladies' Apparel; Vice President, Frank Wilson, First Federal Savings and Loan Association; Secretary, Alec L. Peterson, Credit Bureau of St. Petersburg; and Treasurer, Kay Metz, First National Bank. Directors: Ralph Clampitt, City Fuel Oil Co.; Mrs. Jerry Johnston, Spauldings; Miss Rae Myers, Rieck & Fleece Builders Supply; and Mrs. Alice Bisbee, Union Trust Co.

New York, New York

At the annual meeting of the Associated Retail Credit Men of New York, New York, New York, the following officers and directors were elected: President, Joseph P. Searing, W. & J. Sloane; Vice President, John W. McCafferty, A. Sulka & Co.; and Secretary-Treasurer, R. M. Severa, Credit Bureau of Greater New York. Directors: Fred W. Dornhoefer, Franklin Simon & Co.; Raymond Doyle, Peck & Peck; Arthur J. Kramer, Borden's; James M. Malloy, Abraham & Straus; Reginald L. Smith, Sunrise Coal Co.; Sigmund Trotta, Brooks Brothers; Traver Brisco, B. Altman & Co.; George W. Watkins, Mantin's; Walter E. Baab, Stern Bros.; Philip Gleason, Saks Fifth Avenue; John M. Hilgert, Lord & Taylor; Albert S. Kleckner, Namm-Loeser's; Harry C. Squires, Bloomingdale Bros.

Camden, New Jersey

The new officers of the South Jersey Credit Managers' Association, Camden, New Jersey, are: President, Fred Adams, Public Service Electric and Gas; Vice President, Carl C. Krause, Woodbury Thrift Finance Co.; Secretary-Treasurer, Russell A. Barnes, Camden Credit Association.

Springfield, Massachusetts

The Retail Credit Association of Springfield, Springfield, Massachusetts, by mail ballot elected the following directors: Ernie DesLauriers, Forbes & Wallace; Raymond W. Williamson, Carlisle Hardware Co.; Robert A. Byrne, Springfield National Bank; Ella T. Hendron, D. H. Brigham & Co.; Russell R. Moffatt, Springfield Safe Deposit & Trust Co.; and Richard E. Melander, Albert Steiger Co. Alfred E. Rowley, Springfield Institution for Savings, immediate past president, is also a member of the board. At a board meeting held on May 18, 1956, the following officers were elected: President, Raymond W. Williamson; First Vice President, Russell R. Moffatt; Second Vice President, Ernie DesLauriers; and Secretary-Treasurer, George B. Allan, The Credit Bureau. It was voted to sponsor a course on Retail Credit and Collection Practices to be conducted by Sterling S. Speake during October.

From the President's Pen

AN ARMY GENERAL always fights his battles on paper and maps or in his mind's eye long before he drives toward his first objective. He considers all phases and all possibilities, including his potential strength in manpower, matériel and equipment. He mentally fights his battle to gain his objective, step by step, trench by trench and objective by objective *before* the battle plans are actually put in operation. One General long ago, it is said, used "A good ready is half the battle" as his motto for winning battles. So, it should be with us when we are selected to head one of our associations, or to be the chairman of a committee or given any special assignment. So far as I know, there is no common election date for our hundreds of local, regional and district associations, but it is logical to assume that many will elect new officers and appoint new committees at the end of the year who will begin their duties on January 1st. To all those, and any others assuming places of responsibility throughout the year, I would urge the need of a "battle plan" in the form of a definite program in keeping with the needs of your association, and the credit requirements of your community. Thoroughly check your responsibility in the new job and all the possibilities, plus ways and means of filling those needs, and then set up your objectives in all phases of your association or committee work and service. It will give you something to work toward—a goal to reach—a task to accomplish and then you will actually experience the thrill it gives you as you complete them one by one and check them off the list. In the final analysis, accomplishment is the net result of the three P's . . . Plan, Push and Pride. . . . A Plan to give incentive, Push to give motivation, and Pride to insure thoroughness. If you are selected for a place of responsibility in your association, give it your best in thought and planning and present your objectives to your organization at the *first* opportunity, otherwise, procrastination could prove to be the thief of progress. Remember, if it is worth doing . . . taking up your time, effort and attention . . . it is worth doing well!

Thirty years does make a difference! This was impressed upon me during an automobile trip through Colorado last August. Thirty years ago I made the same trip in a small four-cylinder open Overland "touring car," during which I visited the famous Royal Gorge, Seven Falls, and the Cave of the Winds. I recall approximately 12 or 15 other touring cars parked around a curio shop and a platform extending over the rim of the Royal Gorge that accommodated about 20 people at one time, and permitted a view to the bottom of the gorge and that was it! This trip saw scores of late-model automobiles and hundreds of people; a suspension bridge enabling the people to drive across the gorge; a finer, higher observation platform; a cable car taking people to the bottom; several concessions all doing a heavy volume of business and an Indian family in full regalia performing their dances to the beat of a tom-tom. At Seven Falls we were greeted with beautiful music which filled the canyon long before we came within sight of the Falls, while in the Cave of the Winds, we found a traffic jam! Groups of 12 entering the cave every four minutes and a schedule checker stationed in the depths of the cave, checking the moving time of the groups as they passed his station. Brilliantly colored stickers at all three places pasted on the bumpers of the cars while they were parked and many other similar things demonstrated the art of presentation in our modern day.

I am very pleased with a copy of the "Credit Officers Handbook" used in District 10, sent to me by Mrs. Anna Hudson, Secretary of ACBofA for the Pacific Northwest, at the request of V. E. Rasmussen, President of District 10, N.R.C.A., and I am delighted with its completeness. It is a fine work, divided into five sections, containing complete information about National organizations, educational programs, membership programs, local credit associations and the credit bureau. It covers everything from organization and conducting meetings to publicity and membership solicitation. It is practical evidence of determination and worthy achievement. Congratulations, District 10!

R. K. Pinger, Manager, Credit Bureau of Greater Houston, Houston, Texas, made our heart sing with 624 new members in August. Our gratitude and thanks to Mr. Pinger, and a hearty welcome to these fine members from Houston. It is good to have them in the National Retail Credit Association to help us work and plan for the future and the betterment of retail credit. You will be very pleased to know that our membership August 31, 1956, was 40,921. Membership work is not confined to any particular season of the year. Any work on membership by individuals or associations is always timely and a most practical way to help the N.R.C.A.! Let us not overlook the fact that we are one great retail credit team, working together for the preservation of sound credit and for the building of greater credit volume and any service by any member of either of our organizations is never lost!

Kimberley A. Goodman,
President
National Retail Credit Association

For outstanding credit bureau service

ACBofA International Achievement Awards

G. WINTHROP WELLS

Winner of the International Achievement Award for the 10,000 and under population bracket was the Credit Bureau of Rockland County, Nyack, N. Y., G. Winthrop Wells, manager. Mr. Wells, who won the CSD Achievement Award, 1951-1952, has been active in the ACBofA Educational Program and in many civic activities in his area.

KERMIT W. OAKES

The Credit Bureau of East Central Kansas, Inc., Emporia, Kan., Kermit W. Oakes, manager, was the Award winner for the 10,000-20,000 population bracket. Mr. Oakes has been a leader both in the ACBofA and in civic educational programs in his area. He has also served as a member of numerous civic and church groups.

C. A. SIEGFRIED, SR.

For the 20,000-50,000 population bracket, the Business Men's Association, Moline, Ill., C. A. Siegfried, Sr., manager-secretary, was the Achievement Award winner. Mr. Siegfried is a member of the CBD Committee and has been active in his state association, in the ACBofA Educational Program and in many civic organizations.

ELMER A. UFFMAN

The Credit Bureau of Baton Rouge, La., won the Award in the 50,000-150,000 population bracket. Bureau Manager Elmer A. Uffman has assisted in presenting various institutes and seminars in his area. In addition, he has aided local YMCA drives, United Givers' Fund, Boy Scouts of America and Better Business Bureau.

HOWARD G. CHILTON

Winner of the 150,000 and over population bracket Award was the Credit Bureau of Greater Fort Worth, Tex. Manager Howard G. Chilton is a past president of ACBofA and holder of an Achievement Award (1954-1955) for his collection service division. Mr. Chilton has been very active in both Association and civic projects.

On June 21, at the 42nd annual International Consumer Credit Conference held in St. Louis, Missouri, five ACBofA credit bureau managers and five collection service managers were awarded the coveted Associated Credit Bureaus of America International Achievement Award.

Winners received bronze plaques bearing this inscription: "For unselfish service and meritorious contributions to the (credit bureau or collection service) profession in our program to better serve the credit granters of North America."

The basis for these Awards, which go to representatives from five different population brackets, is to improve credit reporting and collection service all over the continent.

Increased success in each local office means better inter-bureau reports, better forwarding service between collectors and better service for credit granters and American and Canadian customers.

The International Award honors not only a member office and its manager but also the competent employees who keep its service standards high.

Each ACBofA district nominates one credit bureau and one collection service office from cities in five population brackets: 10,000 and under; 10,000-20,000; 20,000-50,000; 50,000-150,000; and 150,-

For outstanding collection service

1955-1956

000 and over.

Final selection of the winners is made by the Credit Reporting Division and Collection Service Division Committees. Identities of the contestants are kept secret while the Committees are judging.

Contestants are judged on the type and quality of service given by the member offices; managers' accomplishments and civic responsibilities; cooperation with district and national credit organizations; and distinguished achievement in the field of credit bureau or collection service.

Announcement of the winners was made by Harold A. Wallace, ACBofA executive vice president, on Thursday morning at the joint session of the Associated Credit Bureaus of America, National Retail Credit Association, and the Credit Women's Breakfast Clubs of North America.

Congratulations are extended to this year's Award winners as they accept the honor and responsibility for maintaining and improving the quality of their service. Thanks should also be extended to their local credit granters whose cooperation made possible these Awards. The Associated Credit Bureaus of America offers grateful appreciation to all of you who helped our members grow in service.

HAROLD W. BOOKS

The collection department of The Credit Bureau, Inc., Monte Vista, Colo., was the International Achievement Award winner for the 10,000 and under population bracket. Harold W. Books, manager, is past president of the Jaycees in his area, a leader in the ACBofA Educational Program and active in civic and church activities.

PREN L. MOORE

In the bracket for 10,000-20,000 population, the collection department of the Credit Bureau of Imperial County, El Centro, Calif., was the winner. Pren L. Moore, owner-manager, is a member of the ACBofA Board of Directors, member of his local Chamber of Commerce, a former city councilman and former mayor of El Centro.

NORMAN W. McGINTY

The Credit Service Company of Billings, Mont., won the collection service Award for the 20,000-50,000 population bracket. Norman W. McGinty, manager, is a member of the ACBofA Board of Directors, vice-chairman of the CSD Committee and a member of various civic and social organizations in his community.

RALPH C. LOCKE

Winner of the 50,000-150,000 population bracket Award was the collection department, Credit Bureau of Manchester, N. H. Manager Ralph C. Locke is a member of the ACBofA CSD Committee, of his local Chamber of Commerce, Rotary and Community Chest organizations and on the Red Cross and Salvation Army Boards.

ROBERT T. HELLRUNG

For the 150,000 and over population bracket, the St. Louis (Mo.) Credit Service, Inc., was the International Achievement Award winner. Robert T. Hellrung, manager, has been active in the ACBofA Educational Program, organized the National Association of Medical-Dental Bureaus and is a member of various business groups.

Furniture, Musical Instruments, Electrical Appliances

QUESTION

Should collection notices be addressed to Mr. and Mrs. for greater effectiveness? If not, to whom should the notices be addressed?

ANSWERS

Eldon L. Taylor, Vice President and Treasurer, Glen Brothers Music Company, Ogden, Utah: Collection notices should be addressed to Mr. in practically all cases unless there has been a special request from the Mrs. to address them to her. I believe that most men like to know what bills are being sent to the household and just what purchases are being made in his name. The average man is trying to keep his credit in good standing and unless he knows about these accounts it is just about impossible to do this. I know from my personal standpoint I like to know about these accounts and like to see that they are paid on time. Some merchants insist on sending them in the name of my wife and she sometimes lays them aside in the drawer and I do not receive word on them until they are past due. If all collection notices were addressed direct to the head of the house I believe that he would make it a point to see that the accounts were paid promptly.

J. E. Zimmerman, Kirschman's, New Orleans, Louisiana: For greater effectiveness all collection notices are addressed to Mr., although Mrs. will do most of the buying and signing of contracts. All sales tickets and contracts are written in the name of Mr. at the time an account is opened and the ledger card is set up accordingly.

Building Materials

QUESTION

When you are contemplating an attachment should you advise the competitors you know are selling the account?

ANSWERS

James M. Dean, Secretary-Manager, Building Material Dealers' Credit Association, Los Angeles, California: This question has been one of constant discussion ever since the first attachment was levied against a customer where more than one creditor was involved. There certainly is no stated rule to be followed. However, it is my opinion that it is only good judgment and proper credit-fraternity relationship, where an account has been up for discussion and frequently cleared, that a credit manager certainly owes it to his fellow credit managers to advise them it is his intention to levy an attachment against the customer if the account is not paid by a certain date. This type of cooperation creates a much stronger friendship between all creditors involved.

R. D. Hill, Owens-Parks Lumber Company, Vernon, California: No! Exchanges of credit experience are proper. Actions to protect employer's interest in bad accounts should not be prejudiced by premature disclosures of intention.

Archie C. Norton, Credit Manager, G. S. Lyon and Sons Lumber and Manufacturing Company, Decatur, Illinois: I think that competitors whom we know to be selling the same customer should be notified. I know that if the shoe were on the other foot I would appreciate that information. Our competitors are some of our best customers and by working together, especially on matters pertaining to credit, we can both profit. By notifying our competitors, it gives them the opportunity of flagging that particular account, or of giving me leads as to how I might collect the account by other means.

Petroleum

QUESTION

My firm would like to institute a "budget plan" for fuel-oil accounts. Can the panel give me some ideas?

ANSWERS

H. M. Barrentine, Manager of Credit Sales, Skelly Oil Company, Kansas City, Missouri: The handling of fuel-oil accounts on the budget plan serves a twofold purpose, in that both the customer and the company benefit. The customer is assured of having his fuel tanks full and ready when cold weather sets in, and the company is able to spread out deliveries during the summer months, and give better service, in avoiding the rush for fuel oil when bad weather begins. We are finding that more and more customers are interested in a fuel-oil budget service plan. Our plan is arranged with the customer on 10, 11, or 12 months' basis. Briefly, the customer's fuel-oil requirements for the season are estimated, and this amount is split into either 10, 11, or 12 equal payments, with a specific contract signed in duplicate. The contract is then approved, after which a copy is forwarded to the customer, along with the exact number of envelopes needed to forward his monthly payments. In the upper right-hand corner of each envelope, where the postage stamp would be placed, the amount of each payment is either typed in,

or shown in pen and ink. A "thank you" letter accompanies the customer's copy of the contract, restating payment arrangements, the purpose of the envelopes, and the privacy of placing a postage stamp over the amount shown on the envelope. The contract should be reviewed once or twice during the delivery season to assure that the monthly payment arrangement is adequate, so as to avoid a large balance owing at the end of the season. At review periods the payments can be increased if the original estimate is too low; and if the estimate is deemed too high, payments may be reduced. By agreement, on May 31 each year, the customer makes full settlement of any balance owing, or if a credit balance exists, a refund check is sent to the customer. Our company also sells liquefied petroleum gas, under the trade name of Skelgas, through retail stores, on virtually the same basis as fuel-oil budget, in considerable volume, and experiences little collection difficulty. In our experience, the success of budget selling depends on two very important phases: (1) correct estimate of the year's consumption, and (2) close collection supervision.

T. J. Fahay, Credit Manager, Union Oil Company of California, San Francisco, California: By "fuel-oil" accounts, I presume "home-heating oil" accounts are meant. The average house has small storage and, in the coldest part of the winter, requires frequent deliveries. It seems to me that a supplier could establish a revolving credit arrangement for the customer. The maximum amount should be agreed upon. Payments should start on a monthly basis at a designated time—say, October 1. The carrying charge should also be agreed upon. Payment in full should be completed by the end of the heating-oil season. The advantages to the householder are that he is able to budget his expense over approximately nine months instead of concentrating the expense in five or six months and is assured a regular supply. The supplier is assured the business—is able to route his trucks on a "keep-full" basis and is paid for the credit extension.

J. D. Hartup, Regional Credit Manager, Standard Oil Company of California, Spokane, Washington: The institution of a budget plan for fuel-oil customers has certain advantages to both the customer and the supplier. It enables the customer to provide for his fuel-oil purchases in the household budget and allocate a specific sum of money to be paid each month. This relieves him of the excessively high bills during the extremely cold winter months. It is particularly desirable to the customer during the Christmas season. The "Keep-Filled" program ties right into a budget plan; the customer does not have to worry about ordering fuel because his tank is kept full by the supplier; the consumer pays the same amount of money each month. There are also advantages to the supplier. It makes a summer "fill-up" program easier to sell. It minimizes the amount of capital required to handle accounts receivable, for normally the customer, by starting his payments early in the fall, has built up a reserve to apply on the larger deliveries made during the winter months. There is less customer turnover, for a customer who commences to buy on a budget plan will buy from one supplier throughout the season. Delivery problems are alleviated, for larger deliveries can be made at the supplier's convenience. There are several ways of selecting and soliciting customers. The solicitation can be done by mail or by personal calls, whichever fits into the supplier's scheme of operation. The selection of customers for the budget plan, however, should include a screening from a credit standpoint. The success of a budget plan depends largely upon the selection of customers who can and will make their monthly payments without the necessity of a collection program being instituted to collect the monthly instalments. In order to make the payment of monthly instalments easier for the customer, it is wise to inject into the plan some method to accomplish this. Sending the customer a supply of addressed envelopes, together with a convenient method for him to record the deliveries received and the payments made, may assist in accomplishing this objective. This method might eliminate the necessity of sending a monthly statement. Some suppliers feel that monthly statements can be eliminated without sacrificing the flow of monthly payments from the customer. In the event a monthly statement is not sent, a statement should, of course, be sent to the customer at the end of the season. There should be an understanding with the customer that when the final statement is sent at the end of the season, he will pay any balance owing or the supplier will refund any overpayment. The collection of any unpaid monthly instalments must be followed closely and the collection procedure commenced within a short time after the due date of the payment. If the customer does not pay his instalments without the necessity of considerable collection effort, the supplier should have the prerogative of discontinuing the budget arrangement. An important feature in making a budget arrangement is to estimate the customer's season's requirements liberally so that the monthly payments will be adequate to pay for the season's deliveries. It is more to the seller's advantage to collect too much and give the customer a refund, than to follow the customer for additional payment at the close of the season. The collection of heating-oil accounts naturally becomes more difficult after the heating-oil season is over.

William Stockton, Manager Credits and Collections, The Atlantic Refining Company, Inc., Philadelphia, Pennsylvania: The fact that your firm is considering a budget plan for fuel-oil accounts indicates that it is a progressive company. This is a modern method of purchasing heating oil in order to eliminate the peaks during the heavy burning season in the winter. The customers demand this type of service and will seek it elsewhere unless you make it available. A substantial percentage of your accounts should be converted to the budget plan. A plan which has wide acceptance is based upon 10 equal payments a year starting August 10. After the customer's annual consumption has been estimated, he should be provided with a book of coupons for identification of his account. These coupons should show the account number, customer's name and address, and the amount of the monthly installment. The customer should be asked to remit monthly on a certain date and to attach a coupon with each payment. It is not necessary to send monthly statements as this is likely to be confusing; however, some companies prefer to send monthly statements in-

(Turn to "The Credit Clinic," page 26.)

CREDIT FLASHES

Henry G. Orndorff Retires

Henry G. Orndorff has retired from his position at B. Lowenstein & Bros., Memphis, Tennessee, because of ill health. Next March Mr. Orndorff would have concluded 50 years' association with Lowenstein's. Mr. Orndorff, secretary and credit manager, began with the firm on his first job, that of a cash boy. He has been credit manager of the firm more than 30 years.

Joseph L. Sacks, formerly assistant controller for Perel & Lowenstein, Memphis jewelry, gift, and appliance chain, will succeed Mr. Orndorff as credit manager. Mr. Sacks, a Memphis resident for 12 years, is secretary of the Youth Controllers' Association.

A. J. Rodehorst, Sr., Elected Kiwanis Trustee

Armand J. Rodehorst, Sr., New Orleans, Louisiana, a charter member of the Kiwanis Club of Mid-City, New Orleans, was elected trustee of Kiwanis International at the organization's 41st annual convention held in San Francisco last June. He has been a Kiwanian for 15 years, during which time he has served as president of his home club, Lieutenant Governor and Governor of the Louisiana-Mississippi-West Tennessee District of Kiwanis International, and as a member and chairman of numerous district committees. Mr. Rodehorst operates his own monument and marble works in New Orleans. He is a past president of the New Orleans Retail Credit Association, the Louisiana Retail Credit Association, and District Four, N.R.C.A. He is a member of the Chamber of Commerce, the Community Chest, and the United Fund of New Orleans. There are 12 trustees of Kiwanis, who, with the organization's officers, make up the 17-member international board. This board is a policy-forming and administrative group for the 250,000-member service organization. Kiwanis currently numbers about 4,200 clubs in the United States, Canada, Alaska, and the Hawaiian Islands.

Glenn Pitcher Succeeds Walter Jensen

Glenn Pitcher has been named executive secretary, Northwest Credit Council, Portland, Oregon, succeeding Walter Jensen, currently retiring from the same position. Mr. Pitcher was formerly with Verlin R. Shinn, Inc., Woodland Hills, California, a specialized public relations and credit sales organization for credit bureaus and their collection departments. He spent three years in this field work in western states and was closely connected for several weeks at a time with 18 credit bureaus and credit associations. Born in Montana, he had most of his schooling in Spokane. One month after Pearl Harbor he left college for pilot training and spent 16 months in the China-Burma-India area flying ammunition and gasoline over the hazardous "hump" route into China. Mr. Pitcher is now starting a complete circuit of all the cities of N.R.C.A.'s District Ten and is being accompanied by Mr. Jensen. We wish Mr. Pitcher success in his new position and pledge him full cooperation in all of his endeavors.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the New Ocean House, Swampscott, Massachusetts, April 28, 29, and 30, 1957.

District Three (Florida, Georgia, North Carolina, and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, and Tennessee) will hold their annual meeting in conjunction with the 43rd Annual International Consumer Credit Conference, Fontainebleau Hotel, Miami Beach, Florida, June 16, 17, 18, 19, and 20, 1957.

District Five (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana and Wisconsin, except Superior) will hold its annual meeting at the Sheraton-Brock Hotel, Niagara Falls, Ontario, Canada, February 23, 24, 25, and 26, 1957.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin and Manitoba, Canada) will hold its annual meeting at the Hotel Duluth, Duluth, Minnesota, March 10, 11, and 12, 1957.

District Seven (Arkansas, Kansas, Missouri, and Oklahoma) will hold its annual meeting at the Hotel Muehlebach, Kansas City, Missouri, March 9, 10 and 11, 1957.

District Eight (Texas) will hold its annual meeting at the Texas Hotel, Fort Worth, Texas, May 18, 19, 20, and 21, 1957.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Davenport Hotel, Spokane, Washington, May 18, 19, 20, and 21, 1957.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the Lafayette Hotel, Long Beach, California, February 16, 17, 18, and 19, 1957.

District Twelve (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold its annual meeting at the Lord Baltimore Hotel, Baltimore, Maryland, February 10, 11, and 12, 1957.

Wichita Falls Letter Writing School

A business communications clinic, conducted by Leonard Berry, educational director, National Retail Credit Association, was held in Wichita Falls, Texas, July 30-31, 1956. Ninety students enrolled for the first session and one hundred attended the second night. Sessions lasted for two hours each night.

The school was held in the newly constructed auditorium of the First National Bank. With the temperature soaring in the hundreds each day, the air-conditioned auditorium was most comfortable. A stage could be moved either forward or backward according to the size of the audience. Acoustics in the auditorium were excellent. The bank is located in the heart of the business area of Wichita Falls.

Topics taught the first session were: Business Communications and Public Relations; Think Before You Write; Good Ideas Plus Good Words Plus Good Mechanics Equals Better Letters; Say It Better—Zone Your Letter; The You Approach—The Opening, Message, and Closing of the Letter; How to Write Successful Sales Promotion Letters; Sell While You Collect; How to Say Yes and How to Say No; Make Opportunities Out of Adjustments.

Second session topics were: Seven C's of Effective Business Letters; Things Not to Do; Basic Principles of Letters That Persuade; Mechanics of Effective Letters; Telephone Techniques.

Attendance was made up of personnel from department and clothing stores, banks, furniture and appliance stores, hospitals, medical clinics, loan companies, automobile dealers, oil companies, drugstores, and florists. Several people in attendance had also attended N.R.C.A.'s "Consumer Credit Institute" at the University of Oklahoma, Norman, Oklahoma, the week previous, at which Mr. Berry was one of the instructors.

Much enthusiasm ran throughout the two-night course and we are still receiving compliments on having such a fine school. New members to the Wichita Falls Retail Credit Association have been gained because of the school. We intend to follow through on effective letter writing at our regular credit luncheons.

Mr. Berry was the guest speaker on Tuesday, July 31, 1956, at the noon luncheon of the Retail Credit Association. Our usual attendance was doubled on that occasion with a good representation of management present.

I firmly believe that from this school each one of us became inspired to become a better credit sales manager and to do a better job for our management and our customers.

We think the school conducted by Mr. Berry is the best ever conducted. We recommend the school very highly and feel it should be held either before or following Mr. Sterling Speake's School. We were indeed fortunate in obtaining Mr. Berry's services. His being nearby in Norman, Oklahoma, of course, greatly aided our securing him for our school.

If you have not had the opportunity to hear or attend one of Mr. Berry's classes, I strongly urge you to do so.—E. C. Buntyn, The Medical and Surgical Clinic, Wichita Falls, Texas, President, Wichita Falls Retail Credit Association.

● Seattle's famed Seafair pirates interrupt the annual breakfast of District 10 held in Seattle, Washington, May 21-23, 1956. Left to right, are: Chalmer Blair, Portland, Oregon, National Director, District 10; Walter Jensen, Field Secretary; Hugh Tallent, President; L. S. Crowder, General Manager-Treasurer, N.R.C.A., St. Louis, Missouri; and Mrs. Jean Malmo, who directed the affair, sponsored by the Credit Women's Breakfast Club of Seattle. Over 600 delegates attended the conference held at the Olympic Hotel.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

SINCE ALL of our business letters must *sell* as well as *tell,* we must make it easy for the reader to *buy* our ideas. *Selling* often consists of doing the prospect's thinking for him. Most of us are mentally lazy and want things spelled out . . . put so simply and concisely that we have no difficulty in understanding.

The reader just won't take the time or the trouble to sort out from a jumble of words the meaning the writer is trying to convey. The successful letter writer has first made sure that he *knows what he wants to say* and then says it in the simplest manner possible.

The goal we should aim for is the formula recommended for U. S. government correspondents, the 4S test: shortness, simplicity, strength, and sincerity.

Shortness does not mean telegraphic curtness. Our letters must get results *and* gain good will at the same time. Rather does it mean that we should eliminate superfluous words, avoid superlatives, refrain from exaggeration and watch our adjectives. You might try going over the carbons of your letters and cross out the words you deem superfluous without destroying the meaning. You will be surprised at how many you will take out. You will be delighted with the clarity and simplicity that results.

Each sentence should, ideally, express only one thought. Make your sentences short, simple, uncomplicated and powerful. Try for average length of 15 to 18 words. This has the effect of feeding your message to your reader in manageable bites. His mind is not overworked in trying to comprehend your meaning.

The objective of business letters is to get someone to do something willingly. That *something* must be presented convincingly. To accomplish that the writer must believe, deep down, that it is in the reader's interest to take the action recommended. Here is where the spirit of sincere service comes in. The writer of an effective business letter must regard his task as one of serving the customer. When written with this spirit uppermost in mind, a YOU approach appears almost automatically. Letters beginning with I, WE, OUR, MY, betray a selfish approach. The writer has not thought the matter through; has looked only at the situation through his own eyes, not the reader's. Such letters do not attract the favorable attention which is essential to getting the letter read. Letters beginning with a YOU approach have far better chance of getting read and hence, securing favorable action.

Here is the way effective business letters are engineered to bring about maximum reader acceptance:

Zone 1: Attract favorable attention by appealing to the reader's self.

Zone 2: Create interest in the idea, product or service by appealing to emotion or desire.

Zone 3. Convince the reader of the soundness of your idea by facts, figures, reasons why.

Zone 4. Stimulate reader to action by positive suggestion, showing the way, creating sense of urgency and immediacy.

By *zoning* your letters you will better achieve a successful presentation and more easily make the sale.

This Month's Illustrations →

Our illustrations this month have one thing in common . . . they are all printed or processed forms. Stores and firms are turning in increasing numbers to this method of handling as many credit office correspondence situations as possible by use of printed forms. The problems of personnel and expense make this almost mandatory.

Illustration No. 1. Here we have a credit sales promotion letter used by the North-End Furniture Company, Winnepeg, Manitoba, Canada. The suggestion that an existing instalment contract account be used for additional purchases is usually well received by the customer. This letter ties in nicely with the article on page 31 of this issue, *reactivating inactive accounts.*

Illustration No. 2. Ernest W. Reames, Credit Sales Manager, Hogg Bros., Salem, Oregon, is noted for his refreshingly unorthodox credit sales promotion letters. This down-to-earth sales appeal is processed, to be sure, but done so well that the reader might almost believe it to be a personally hand-written letter. At all events, the impact is sure to be favorable. This letter, too, illustrates the point made in the article referred to above.

Illustration No. 3. Banks, too, are conscious of the effectiveness of replacing traditional stiffness and formality with a warm, friendly approach. This letter is used by the Security National Bank, St. Louis, Missouri, to sell savings accounts. This letter was enclosed with monthly statements going to regular checking account bank customers.

Illustration No. 4. Here is a neat fold-over message to inactive accounts using the same light, friendly touch. How very simple it is to slip one of these printed notes into a hand-addressed envelope . . . reminding the customer that her account is "Ready, Willing and Eager." This illustration comes to us from Colbert's, Dallas, Texas, from which alert and progressive store we have previously shown excellent letter examples.

Illustration No. 5. A simple, dignified notice of acceptance of new account used by Spencer's Ltd., Atlanta, Georgia.

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NORTH-END FURNITURE Co. Ltd

• WINNIPEG'S FASTEST GROWING FURNITURE CENTRE •

843 MAIN STREET • • • • 367 PORTAGE AVENUE

WINNIPEG, MANITOBA

Don't "Hit the Roof" when your wife suggests you buy a new piece of furniture, an electrical appliance or a new T.V. set for your home! With our help, you can keep her happy and still not have any "Pocket-Book Blues"!

Just drop in to one of our stores with your wife and pick out the things you need. We'll gladly let you have them with NO DOWN PAYMENT. All you do is add this new purchase to your present account - and keep on paying the <u>same</u> monthly amounts a few months longer.

Easy? Well, sure it is! We've got a fine variety of low-priced, high-quality furniture, appliances and T.V. all ready and waiting for your selection - so why not visit us within the next few days.

Cordially yours,

M. H. Burnsten

M. H. BURSTEN,
CREDIT MANAGER.

PHONE MAIN ST. STORE — 59-8348 • PHONE PORTAGE AVE. STORE — 93-1910

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T. HOGG OSCAR E. HOGG D. TOM HOGG

HOGG BROS

Willamette Valley's Leading Appliance & Home Furnishers

SALEM - OREGON CITY

260 STATE 804 MAIN

PHONE
OREGON CITY 4271
PORTLAND OL 4-1537

8/25/56

Dear Mr. Berry

Many thanks for the wonderful way you've handled your account with us. In fact your credit is so good that you don't have to wait until your account is paid in full before you make additional purchases.

You can come in anytime and select either furniture, floor covering or appliances and we'll gladly add them to your account on terms which will make it easy on your budget. This account plan is only given to our Top Preferred Customers who have an excellent credit record at our store.

Feel free to shop at our store anytime you are in the neighborhood. You're always welcome. No obligation ever.

Cordially,

Ernest W. Reames
Credit Sales Mgr.

...RE • MAYTAG • EASY • COMPLETE HOME FURNISHINGS

③

Name your "dream"...

...and we'll show you a sure, easy way to make it come true!

Whatever your dream...a home, new car, vacation, literally anything...it probably takes money to make it a reality. So we invite you to do the same thing a lot of other folks did (who made their dreams come true)...open a Savings Account here at Security National Bank.

No question about it. A Savings Account here, added to regularly with small amounts you won't miss, soon grows to the substantial sum needed for most dreams.

Remember, too, that your savings grow <u>faster</u> this way (because your money earns interest, <u>compounded semi-annually</u>). And, of course, the habit of making regular deposits is easy to form and highly profitable to follow.

So don't just dream about your "dream". Start making it come true with your own Savings Account. You'll find our friendly folks here will gladly help you "save today for your pleasure tomorrow".

Sincerely,

W. P. Lardner

William P. Lardner
Vice-President

SECURITY NATIONAL BANK
SAVINGS AND TRUST COMPANY
312 North Eighth Street • Between Olive & Locust
CHestnut 1-6400 ST. LOUIS 1, MO.

④

We're Very Sad Because of You..

We're sad because we miss you. Seems ages since you were in. If something has displeased you in the past, won't you let us know? Please accept this personal invitation to preview our exciting new fashions.

Please Do -
Sincerely

Colberts

P. S. Your account is Ready, Willing and Eager.

⑤

Spencer's Ltd.

It is a pleasure to inform you that an account has been enrolled in your name.

Granting Credit in Canada

Acceptance Speech

RITA F. BARNES, London, Ontario, *President,* Credit Women's Breakfast Clubs of North America

(Given at the 42nd Annual International Consumer Credit Conference, St. Louis, Missouri, June 18, 1956)

YOUR CONFIDENCE in me, expressed by your electing me to this high office, is both heart-warming and a little frightening. I know that the office of President carries with it great responsibility, but am reassured by the knowledge that I can at all times call on the Board and our Past Presidents for counsel and guidance.

Rita Barnes

This past year has been a momentous one in the history of our organization. A goal long envisioned has been reached; many changes have been necessary, and many important decisions have been made. I say sincerely, and I am sure I speak for all of you, that we are deeply indebted to our beloved President Una Pearson for the many hours of hard work, the planning, and good sound common sense she has given unstintingly; and, above all, her graciousness and charm which have endeared her to those in other organizations as well as our own members. It is my good fortune to follow her lead; there will be many times when I shall need her advice, and I know I can count on her assistance.

I feel that I am particularly fortunate in that our Central Office is established and functioning smoothly; servicing the clubs as well as the International and District Officers; and setting up seminars and workshops which have proved so beneficial. The enthusiasm and experience our Executive Secretary, Geneva McQuatters, brings to our organization is an inspiration to all your officers, and particularly helpful to the President.

The beginning of a new year is always the time to evaluate past progress, and plan for the future—this is particularly so in the case of an organization. Now that a goal has been reached, what next? Where do we go from here? Obviously, if we are to progress, there is only one way to go—forward! In studying the report of the Future Advantages Committee, I was struck by the number of suggestions for improving or furthering our Educational program. Surely nothing could indicate more clearly a desire on the part of our members to fit themselves for advancement to more responsible positions. Much thought and study has been given to our Educational Course; there are many problems to be considered, and many different needs to be filled. I can assure you that we are going to do our best to provide our members with material that will be of real value to them.

In the course of considerable research regarding the status of women in business, I was much impressed with a survey recently conducted. As it fits so well into the subject in which we are all interested, I would like to give you a broad outline of the findings of that survey. It is only a few years that women have been active in the business world. The strides they have made during these years are almost unbelievable, and there is certainly no need to discuss that before a group of business women. Thanks to those hardy souls who blazed the trail, women are now an accepted, and welcomed, part of the modern business world.

Now that women have achieved recognition, it would seem that we must revamp our thinking. No longer should we be satisfied that our services have found acceptance—it is time we raised our sights, and aimed at a much higher goal.

The survey of women in business has proved definite and rather startling information regarding the present position of working women. To begin with—why do women work? Out of every one hundred married women who answered this question, 57 gave as their reason—supporting themselves and, in many instances, others also. Of every one hundred single women, 96 worked to support themselves and, in many instances, others. It seems clear that, to the great majority of us, work is a necessity. This being the case, would it not be reasonable to suppose that every one of us would be constantly striving to obtain advancement and promotion, with its correspondingly more interesting work and higher salary? The survey found that, to a rather shocking degree, this is not so!

What are some of the underlying causes of this attitude? According to management—lack of education and training; fear of or distaste for added responsibility; and lack of ambition. Not a particularly bright picture, is it? Yet each of these statements is adequately supported by facts. What can be done to overcome this attitude? What can we do to overcome these handicaps?

First—lack of education or training, which would seem to be the greatest handicap, is, as a matter of fact, the least important. The survey showed that the majority of women now in the higher-level positions were NOT college graduates—many had only high school education or less. Any woman, who really wants to succeed, can gain any amount of education she is willing to work for. There are night schools, university extension courses, and many firms offer training programs to fit employees for better positions.

Second—fear of responsibility, would, I think, at least partially resolve itself with the obtaining of a better education.

Third—lack of ambition. How true is this? A large Life Insurance Company offered an extensive training

course to all its employees, urging the most promising ones to take the course. Twenty-five signed up for the course; 18 dropped out before completing the course (13 of them women, including 5 who had definitely been promised promotion upon completion of the course) —they just did not want promotion badly enough to work for it. A large department store reported recruiting 12 women and 8 men for special Junior Executive training—one year later 4 of these women were still with the store, while all 8 men remained. The management stated they were lucky if a specially trained woman remained with them for two or three years, and felt compensated for their time and expense if she stayed four years. Can we wonder that top management takes a somewhat jaundiced view of training women for the higher positions?

No one will deny that there has been, and still is, to some degree, discrimination against women; and, frankly speaking, some of it has been merited. I wonder, though, if perhaps we do not sometimes hide behind this as a nice comfortable excuse! How real is discrimination? How widespread is it? Will it really exclude us from promotion? The survey showed that discrimination against women in the higher-level positions is definitely decreasing, and in some cases is more fancied than real. For instance, in one large firm a research chemist, who had reached a fairly high level of employment, stated definitely that she felt she was in a dead-end job—being a woman, she would never be considered for an executive position. The personnel manager of that same firm told the interviewer that they considered her one of their most brilliant chemists, and there was no doubt of her advancement at the first opportunity.

Many employers stated that they had been particularly impressed by the ability of the few women they had promoted, as well as the improvement of morale among the other women employees; and that this experience would definitely have a bearing on future promotions. It would seem, then, that it is now up to the women themselves to prove they are capable and worthy of the higher positions. Big business is realistic—management wants results, and when women prove that they are determined to learn all there is to know about their jobs, and have the ability and dependability to produce results, they will be accepted on an equal basis.

Management Changes Attitude

As women are successful in securing training, and demonstrating ability in performance, with a desire to advance, their accomplishments and work attitudes are encouraging a changing attitude on the part of management. The survey shows a trend toward increasing recognition that women should be judged on merit, and receive promotions and titles for which they qualify.

There is, however, one quarter in which women have not, as yet, been able to make much headway—equal pay for equal work. Even the most enlightened and non-discriminating employers admitted that they simply did not pay their female employees the same scale of wages they paid the men. Why this attitude should still be so widespread is something of a mystery, but probably dates back to the days when women had so little business training that they were forced to take the lower-echelon jobs; and the men have simply become accustomed to the idea that women will work for less money. It seems reasonable to suppose that in time, as more and more firms swing to the merit system of promotion, this obviously unfair attitude will change.

There is one other ray of hope, however; and that lies with you younger women. If you are convinced that your training and ability are such that you are going to be able to be of real value to your employer, I urge you to refuse to accept any position that does not offer a scale of wages and opportunity for advancement that you feel should accompany your efforts. Bear in mind that today business is in a position where they need your services—in other words: you never had it so good! Do not underestimate yourself, nor undersell your services. If you are sincere in your desire to make a career for yourself, make up your mind that you are going to do the very best you can; recognize the challenge in even a routine job; give an honest dollar's worth of work for every dollar you receive; and then demand commensurate salary and recognition. If you have made yourself as invaluable to your employer as I think you will have by this attitude, he will not want to lose your services and will be forced to give you the recognition that is due to you.

What, in the opinion of top management, are the outstanding qualities of the women in their employ who have reached the higher-level positions? In order of importance, as related by the men, here they are:

1. Ability to get along with people.
2. Knowledge of job and work performance.
3. Demonstrated leadership.
4. Education and training.

What did women consider the qualities that enabled them to reach the higher level? They related them in the following order:

1. Be willing to work. Pick up all the background experience you can lay your hands on.
2. Find something you like, then work toward a goal.
3. Try to acquire a broadness of thinking, rather than being petty or detailed.
4. Get training in a specialized field.
5. Get the best education for the job.
6. Strive for recognition as an individual. Do not ask for any favours as a woman, or on a feminine basis.
7. Be willing to take on additional duties, and show that you can carry them.
8. Be more gracious and co-operative.
9. Be ambitious. Too few women want to make their job a career—not interested beyond the day's work.

Nothing there, really, that any of us could not do, is there? Yet, those are the rules by which the women who have achieved the higher-level jobs attained them.

Your C.W.B.C. was organized to promote the interests of women in credit. We sincerely believe that by working together we can accomplish much toward the advancement not only of women in credit, but women in business in general. Your executive board is planning to present to you this year a training course that will help you to advance toward the higher-level job of your choice; because we feel that only as you take genuine pride and pleasure in your work can you savour the satisfaction of accomplishment, and experience a sense of fulfillment in your work. ★★★

stead of using the coupon book. Return envelopes are very helpful. At the middle of the season, the customer's account should be reviewed to determine overpaying or underpaying so any abnormalities in purchasing may be adjusted. At the end of the heating season, that is, on May 31, the customer should be sent a bill for the unpaid balance or sent a check if he has overpaid. It is not necessary to send the customer a complete statement of the account, as he should be provided initially with a form on which he can record his payments and purchases. It is advisable to prepare the new budget books promptly after the end of the heating-oil season and mail them, probably in July, to the accounts which are in good standing.

Jack Terry, Credit Manager, Independent Gasoline and Oil Company, Rochester, New York: The "budget plan" is an excellent addition to the list of services a petroleum company can offer its customers. Naturally, many factors dictate whether a company, because of its size or bookkeeping setup, should or should not install a budget system. In general, however, most companies can benefit from such a system—even if they do not buy formal types of budget coupon books, draw up special contracts, and the like. Our own company uses a special budget contract, coupon book, and Rolodex ledger setup, as well as collection notices and assorted stuffer-type notices that are directed to the customer from time to time.

If your firm is planning to put a budget plan into effect, here are some steps we might suggest you consider in order of their importance.

(1) Visit some company of comparable size to learn whether the management has a budget program, how the plan is set up, and how well it is working for both the company and its customers.

(2) If you decide to install a plan of your own, include some stuffers with your next statement mailing in order to get your customers' reactions and possible advance acceptance of the plan. *This is important.*

(3) If the response you receive is favorable, order your forms and coupon books and start writing some budget agreements. The acceptance volume indicated by the mail return should guide you in determining the number and style of forms to order. Make sure that your estimate of the customer's total consumption of oil is as accurate as possible. You have had a good customer for several years now, and you do not want to upset this happy relationship by over- or underestimating the contract!

(4) Keep track of the monthly budget payments for promptness. Also, about mid-point in the heating season, check the relationship of payments to balance in order to make certain that your total estimate has been accurate.

(5) At the end of the heating season, when the 10th or 12th payment (depending on which type of budget you choose) has been completed, make certain that you collect any balances that may have resulted from underestimated or short payments. If you do not, your customer will expect more oil when the new season starts, and you won't want to refuse him. First thing you know, a budget account can get out of hand. Balance out the account at the end of each season for sure!

(6) Try to keep your old budget accounts and also sign up new ones for the coming year. You will find as you go along that a good budget account is well worth the time spent in making out the original estimate, setting up his coupon book, etc. Budget accounts become automatic after a while. It is just this sort of cushion that a credit manager needs when he has a large number of accounts to follow, and only a limited amount of time and number of personnel to tackle the job.

H. M. G. Walker, Credit Manager, Esso Standard Oil Company, Columbia, South Carolina: The question poses no real problem for us in the area which we serve (South Carolina) since most of this business is handled through Resellers. A "budget plan" is almost a necessity where long, cold winters prevail and consumption of products is greater. In some of the other areas in which our company markets, such a plan is in effect and is based on a realistic estimate of the seasonal consumption. Budget plan payments begin in September and continue through June. We, in this Division, are not entirely free of the problem, but we handle the few isolated requests on the merits of each case and will permit customers the privilege of dividing the charge into as many as four payments. This plan has been found acceptable, and we believe results in accounts being in a more liquid state at the end of the heating-oil season. We believe it lessens carry-overs to the next season and eliminates refunds caused by overestimating seasonal consumption. It seems to me that to adopt a "budget plan" would be to offer or extend it to all domestic users, and the possible results should be weighed against the cost of administering as well as the cash position of the supplier.

Items of Interest From the Nation's Capital

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Senate Study on Laws Governing Financial Institutions and Credit: Senator Robertson (D. Va.), acting chairman of the Senate Committee on Banking and Currency, announced on September 17 the appointment of an "Advisory Committee" of 27 members representative of "all the various types of financial institutions subject to federal regulation" to aid his Committee in the current study. A staff member pointed out that the present study definitely is not to be confused as a study of credit. Rather, the study is "designed to remove obsolete provisions from the law and to add new authority where needed," according to the announcement. The committee staff is now preparing a compilation of all federal statutes governing financial institutions and credit. When completed this compilation will make available for the first time all of these statutes in one volume. Five federal agencies involved, the Comptroller of the Treasury, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the Bureau of Federal Credit Unions, are currently preparing recommendations. The schedule calls for the first public meeting to be held November 9 and 10 at which time the "Advisory" group will meet with the Senate Committee to receive the recommendations of the five federal agencies in oral testimony. The announcement stated that the "Advisory Committee will meet again in December to aid in formulating a tentative draft bill to be introduced in January, following which extensive public hearings will be held." Announcement concluded: "It is hoped that a clean omnibus bill can be drawn up and reported favorably for action." Chairman of the "Advisory Committee" is Kenton R. Cravens, president, Mercantile Trust Company, St. Louis.

Federal Reserve Board Study of Installment Credit: Such study based on the posed question of need for continuing control authority (See The CREDIT WORLD, June, p. 29, and September, p. 27) is due to be completed the first part of 1957. Should any legislative proposals result therefrom, they would doubtless be placed before the Senate Committee on Banking and Currency as part of the above overhaul program.

Private Investments Abroad: The Commerce Department on August 20 announced that United States private investments abroad during 1955 reached an all-time high of $2.4 billion. The previous record was 1950 when foreign investments by private individuals and corporations amounted to $2.1 billion. Total foreign holdings of U. S. citizens and corporations now stand at $29 billion. Manufacturing concerns account for the largest share—$6.3 billion, with petroleum second at $5.8 billion, and mining third with $2.2 billion. West Germany attracted private investment by manufacturing concerns alone in 1955 of over $200 million. Private investments abroad in securities and short- and medium-term loans and claims amounted to $800 million in 1955, creating a new total in this type investment of $9.8 billion.

Protection of Private Foreign Investments: In view of the rapidly expanding and accumulated volume of investments of American nationals and American corporations abroad (as indicated above), the question of what protection is to be afforded private investments in foreign lands is one of great importance to the U. S. economy, and indeed to world trade and world peace. This important question, however, has been, and is, a matter of debate today both in the Congress and in the State Department, Treasury Department, Foreign Claims Settlement Commission, and other agencies, growing out of bills in Congress (1) authorizing the payment of American war-damage claims (that is, damages to the private property of American nationals and American corporations resulting from World War II) and (2) bills authorizing the return of vested German and Japanese assets. The Senate Judiciary Committee in the closing days of the 84th Congress favorably reported a bill that would provide payment for such war-damage claims and for return of such vested property. From the latter would be excluded government-owned property or property held by war criminals. Basis of favorable Judiciary Committee report is (1) the historic policy of the United States as to sanctity of private property under international law and custom—to use a phrase from the report, "a secure legal status for private capital"; and (2) our own national self-interest. The Committee in its report asked the following questions: "Does the leading creditor nation of the world wish, by its own example, to encourage the expropriation or confiscation of the property of its own citizens? Will it encourage honorable dealings by foreign governments with the United States Government pursuing a policy that is less than honorable?" "The answer to each of such questions is as clear as the conclusion to be drawn therefrom," the Committee states. It added that the Committee wanted not only to protect the more than $20 billion of United States private capital now invested abroad, but "we want to protect it in order to encourage more." The report was submitted in the last days of the 84th Congress, and there was no further action. Legislation of this type appears a certainty in the 85th Congress regardless of the party in power. ★★★

Monthly CREDIT STATISTICS

Instalment Credit Extended and Repaid

[Estimates of short- and intermediate-term credit, in millions of dollars]

Year or month	Total		Automobile paper		Other consumer goods paper		Repair and modernization loans		Personal loans	
	Extended	Repaid	Extended	Repaid	Extended	Repaid	Extended	Repaid	Extended	Repaid
1941	9,425	8,854	3,823	3,436	2,929	2,827	312	307	2,361	2,284
1945	5,379	5,093	999	941	2,024	1,999	206	143	2,150	2,010
1948	15,540	13,267	5,280	4,150	5,280	4,581	702	577	4,278	3,959
1949	18,002	15,454	7,182	5,537	5,533	4,889	721	677	4,566	4,351
1950	21,256	18,282	8,928	7,285	6,458	5,607	826	707	5,044	4,683
1951	22,791	22,444	9,362	9,462	6,518	6,585	853	769	6,058	5,628
1952	28,397	24,550	12,306	10,449	7,959	6,901	1,243	927	6,889	6,273
1953	30,321	26,818	13,621	11,379	8,014	7,511	1,387	1,144	7,299	6,784
1954	29,304	29,024	12,532	12,477	7,700	7,863	1,245	1,278	7,827	7,406
1955	37,172	31,744	17,748	13,832	9,075	8,308	1,320	1,295	9,029	8,309
SEASONALLY ADJUSTED*										
1955—Apr.	3,027	2,552	1,411	1,093	738	672	110	109	768	678
May	3,103	2,635	1,525	1,139	738	687	117	123	723	686
June	3,179	2,612	1,589	1,166	757	678	110	108	723	660
July	3,136	2,611	1,519	1,133	794	706	108	101	715	671
Aug.	3,211	2,713	1,566	1,197	773	718	114	104	758	694
Sept.	3,290	2,691	1,620	1,175	759	694	120	108	791	714
Oct.	3,075	2,774	1,474	1,233	724	718	112	106	765	717
Nov.	3,185	2,830	1,435	1,281	805	698	118	117	827	734
Dec.	3,185	2,747	1,503	1,228	792	690	118	102	772	727
1956—Jan.	3,211	2,939	1,451	1,275	823	770	111	111	826	783
Feb.	3,192	2,845	1,473	1,266	751	735	123	103	845	741
Mar.	2,988	2,790	1,360	1,215	719	726	116	103	793	746
Apr.	3,227	2,987	1,358	1,328	849	744	133	124	887	791
May	3,051	2,904	1,331	1,284	776	732	129	117	815	771
June	2,951	2,831	1,312	1,240	733	737	107	102	799	752

*Includes adjustment for differences in trading days.

NOTE.—Back figures by months for the period 1940-52, together with a discussion of the composition and characteristics of the data and a description of the methods used to derive the estimates, are shown in the BULLETIN for January 1954, pp. 9-22. Monthly figures for 1953 are shown in the BULLETIN for November 1954, p. 1212. Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include all charges incurred under the instalment contract. Renewals and refinancing of loans, repurchases and resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

Consumer Credit, by Major Parts

[Estimated amounts of short- and intermediate-term credit outstanding, in millions of dollars]

End of year or month	Total	Instalment credit					Noninstalment credit			
		Total	Automobile paper[1]	Other consumer goods paper[1]	Repair and modernization loans[2]	Personal loans	Total	Single-payment loans	Charge accounts	Service credit
1939	7,222	4,503	1,497	1,620	298	1,088	2,719	787	1,414	518
1941	9,172	6,085	2,458	1,929	376	1,322	3,087	845	1,645	597
1945	5,665	2,462	455	816	182	1,009	3,203	746	1,612	845
1948	14,411	8,968	3,054	2,842	843	2,229	5,443	1,445	2,713	1,285
1949	17,104	11,516	4,699	3,486	887	2,444	5,588	1,532	2,680	1,376
1950	20,813	14,490	6,342	4,337	1,006	2,805	6,323	1,821	3,006	1,496
1951	21,468	14,837	6,242	4,270	1,090	3,235	6,631	1,934	3,096	1,601
1952	25,827	18,684	8,099	5,328	1,406	3,851	7,143	2,094	3,342	1,707
1953	29,537	22,187	10,341	5,831	1,649	4,366	7,350	2,219	3,411	1,720
1954	30,125	22,467	10,396	5,668	1,616	4,787	7,658	2,420	3,518	1,720
1955	36,225	27,895	14,312	6,435	1,641	5,507	8,330	2,776	3,797	1,757
1955—Apr.	30,655	23,513	11,482	5,492	1,534	5,005	7,142	2,496	2,859	1,787
May	31,568	24,149	11,985	5,555	1,546	5,063	7,419	2,589	3,011	1,819
June	32,471	24,914	12,561	5,639	1,562	5,152	7,557	2,686	3,040	1,831
July	32,896	25,476	13,038	5,676	1,570	5,192	7,420	2,595	2,991	1,834
Aug.	33,636	26,155	13,547	5,762	1,589	5,257	7,481	2,629	3,019	1,833
Sept.	34,293	26,699	13,929	5,848	1,611	5,311	7,594	2,657	3,108	1,829
Oct.	34,640	26,963	14,095	5,917	1,627	5,324	7,677	2,666	3,218	1,793
Nov.	35,059	27,247	14,172	6,057	1,634	5,384	7,812	2,757	3,285	1,770
Dec.	36,225	27,895	14,312	6,435	1,641	5,507	8,330	2,776	3,797	1,757
1956—Jan.	35,599	27,769	14,314	6,318	1,610	5,527	7,830	2,715	3,355	1,760
Feb.	35,272	27,784	14,397	6,209	1,599	5,579	7,488	2,729	2,974	1,785
Mar.	35,536	27,964	14,565	6,137	1,599	5,663	7,572	2,839	2,933	1,800
Apr.	35,962	28,260	14,706	6,183	1,611	5,760	7,702	2,876	2,996	1,830
May	36,574	28,591	14,876	6,244	1,642	5,829	7,983	2,981	3,135	1,867
June	37,093	28,890	15,077	6,247	1,663	5,903	8,203	3,099	3,231	1,873

[1]Represents all consumer instalment credit extended for the purpose of purchasing automobiles and other consumer goods and secured by the items purchased, whether held by retail outlets or financial institutions. Includes credit on purchases by individuals of automobiles or other consumer goods that may be used in part for business.

[2]Represents repair and modernization loans held by financial institutions; holdings of retail outlets are included in other consumer goods paper.

NOTE.—Monthly figures for the period December 1939 through 1951 and a general description of the series are shown on pp. 336-354 of the BULLETIN for April 1953. Revised monthly figures are shown in later BULLETINS: 1952, November 1953, p. 1214; 1953, November 1954, p. 1212. A detailed description of the methods used to derive the estimates may be obtained from Division of Research and Statistics.

comparative COLLECTION PERCENTAGES

August 1956 vs. August 1955

N.R.C.A. DISTRICT and CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1956			1955			1956			1955			1956			1955			1956			1955		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Portland, Me.*	—	57.3	—	—	55.6	—	—	17.2	—	—	13.3	—	—	—	—	—	—	—	—	—	—	—	—	—
1 Providence, R. I.	45.6	47.8	44.6	46.7	47.5	43.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	67.3	73.4	61.3	61.2	62.0	60.4	24.2	29.4	19.1	24.4	26.9	22.9	—	63.3	—	—	62.2	—	—	53.2	—	—	52.9	—
Worcester, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2 New York, N. Y.	44.7	54.0	37.1	43.8	54.9	30.9	12.9	14.5	12.3	11.3	11.7	11.0	47.2	55.5	40.9	46.8	58.5	34.2	47.9	50.5	45.3	49.5	52.0	47.0
3 Birmingham, Ala.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cincinnati, Ohio	53.8	58.6	47.9	56.7	61.6	46.6	14.6	18.2	11.0	15.5	19.3	11.6	—	—	—	—	—	—	—	—	—	—	—	—
Cleveland, Ohio	50.6	57.8	44.2	50.2	59.3	40.5	15.1	19.7	10.9	18.0	23.3	11.4	33.7	36.5	30.9	—	—	—	65.6	96.3	46.3	68.5	96.7	48.2
Louisville, Ky.	52.1	52.9	51.2	46.1	52.1	40.2	16.6	18.8	14.5	18.3	19.4	17.2	42.7	45.4	38.7	44.4	45.9	42.0	49.7	60.5	41.2	47.2	53.3	40.7
5 Milwaukee, Wis.	61.0	62.0	58.1	60.3	64.3	53.3	15.4	16.2	14.6	15.5	16.2	13.8	—	60.8	—	—	60.5	—	52.1	58.9	41.0	50.0	50.1	45.0
Toledo, Ohio	50.0	52.8	22.5	48.0	53.9	27.4	15.2	19.2	11.5	16.3	21.4	12.2	—	37.1	—	—	41.4	—	—	—	—	—	—	—
Youngstown, Ohio*	—	35.9	—	—	37.7	—	—	12.8	—	—	14.1	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6 Minneapolis, Minn.	61.0°	63.5	60.4°	61.7°	64.8	59.0	15.5	16.2	14.8	15.7	16.1	15.3	49.6°	55.9°	43.4°	50.0°	57.2°	42.9°	46.6°	51.2°	42.3°	51.6°	59.6°	45.0°
7 Kansas City, Mo.	57.1	61.5	48.4	55.1	60.0	39.8	16.1	23.6	7.4	15.9	23.0	6.2	62.1	62.5	61.7	62.9	63.1	62.7	—	—	—	—	—	—
St. Louis, Mo.	54.4	63.4	53.4	57.9	60.5	55.8	17.4	20.6	15.7	20.2	22.4	20.0	53.9	50.4	49.5	55.5	58.5	52.6	45.3	49.5	41.2	48.9	52.6	45.2
Dallas, Texas	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 Ft. Worth, Texas	52.5	56.7	46.0	54.9	57.7	54.4	13.2	18.8	12.6	12.9	17.0	12.8	51.8	52.2	45.8	52.1	54.8	44.1	—	—	—	—	—	—
Houston, Texas	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9 Denver, Colo.	50.4	54.0	41.7	50.8	52.5	45.7	17.6	33.7	15.7	19.0	29.3	14.8	47.4	50.4	44.5	49.1	52.5	45.7	—	—	—	—	—	—
Salt Lake City, Utah	56.0	63.0	49.7	56.6	65.5	54.0	18.8	26.1	12.4	18.2	22.1	15.9	46.0	46.2	45.9	46.5	47.2	45.9	—	—	—	—	—	—
10 Spokane, Wash.	54.4	59.6	49.2	52.5	60.0	45.1	12.4	13.1	11.7	11.2	12.8	9.6	—	66.4	—	—	62.3	—	—	—	—	—	—	—
Los Angeles, Calif.	57.3	61.1	48.4	57.7	68.7	52.6	—	—	—	—	—	—	—	—	—	—	—	—	54.9	61.3	41.0	47.5	56.7	41.8
Oakland, Calif.*	56.1	64.4	55.2	59.7	64.5	57.6	16.6	18.3	13.2	16.7	19.0	12.9	—	61.4	—	—	65.2	—	—	47.6	—	—	48.1	—
11 Santa Barbara, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
San Francisco, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
San Jose, Calif.	54.1	69.1	53.2	56.5	71.5	51.4	—	23.3	—	20.5	21.1	19.8	53.6	54.1	53.2	54.1	57.1	51.4	—	—	—	—	—	—
Baltimore, Md.	51.0	61.1	46.9	47.8	54.5	40.1	15.2	20.5	12.4	15.9	21.8	13.0	37.1	40.1	34.1	37.4	37.6	37.2	42.9	50.1	33.7	46.6	48.6	44.6
12 Philadelphia, Pa.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

• Figures for July. *Includes 30—60—90-day accounts.

Consumer Credit for July

CONSUMER INSTALMENT credit outstanding increased $213 million in July to an estimated $29,103 million at the month-end. This rise compares with $562 million and $132 million in July of 1955 and 1954, respectively. Larger than seasonal increases during the month in automobile paper and personal loans accounted for most of the increase in the total. Other consumer goods paper rose moderately in contrast to usual seasonal decreases in July. Total short- and intermediate-term consumer credit outstanding amounted to an estimated $37,143 million at the end of June, $50 million above June and $4,247 million above a year ago. Seasonally adjusted extensions of instalment credit amounted to $3,148 million in July, about the same as July last year. Extensions continued to exceed repayments, estimated at $2,978 million in July, and the seasonally adjusted increase in outstanding instalment credit amounted to $170 million. This was about the same as the average monthly increase during the second quarter, but compares with an average increase of $273 million in the first quarter of this year and with $541 million in the third quarter of last year when the expansion was at a record rate. —Federal Reserve Board.

Department Store Credit for July

INSTALMENT ACCOUNTS outstanding at department stores declined slightly in July, but continued well above the level of a year earlier. Collections on instalment accounts were estimated at 14 per cent of balances outstanding on the first of the month, 1 point less than in June but the same as a year ago. Charge accounts receivable declined seasonally during July, and at the end of the month were 6 per cent larger than in July last year. The July collection ratio for charge accounts was estimated at 44 per cent, as compared with 46 per cent for a month ago and 43 per cent for a year ago. Both cash and credit sales were down substantially from June to July, as is usual at this time of year. Each type of transaction, however, was up from a year earlier—cash and charge-account sales by 1 per cent and instalment sales by 7 per cent.—Federal Reserve Board.

Reactivation of Inactive Accounts

EVERY INACTIVE account on the books represents a challenge to the credit executive to discover *why* it is inactive. As one outstanding credit sales manager puts it, each inactive account is an "unused asset." And another successful credit sales promoter calls the inactive-account list a "veritable gold mine."

The investment in an inactive account is considerable—probably upward of $10.00 would be a fair estimate. The cost of securing the account, analysis and investigation of the risk, notification to the customer and establishment of the account on the books . . . all this expense has been incurred. When the number of inactive accounts on the books of the average store is multiplied by $10.00, a very sizable "unused asset" appears and the profitability of working the "veritable gold mine" becomes apparent.

Of course, many inactive accounts result from the ravages of time. Death, removal from the trading area, reduction in buying power and other changes in the affairs of men result in loss of accounts for which the store can hardly be held responsible. However, the estimates of several experienced credit managers indicate that such causes account for considerably less than half the total inactivity. All the other "lost" friends are the result of some shortcoming on the part of the store; and that shortcoming is the responsibility of the manager of credit sales to discover and correct.

Changes in Shopping Habits

Changes occur in shopping habits. Customers make new allegiances when they find other stores that have a greater appeal in merchandise, service, and similar factors. Even the best-run stores do offend and alienate some customers. Perhaps a discourteous salesperson, failure to have wanted items in stock, continued billing errors and other faults cause customers to shop elsewhere. The point is that these customers are *not* lost forever, as is the case with the "dead, vanished and poor." There is much we can do to win them back *if we make the effort.*

When to consider an account inactive depends on the nature of the business and the frequency or periodicity of purchases. Most authorities agree that the nonuse of an account for a period of three to six months should cause the machinery to be set in motion to find out why. And, the machinery having been started, it should continue until the facts are established and something is done about them, or until the point of diminishing returns on the cost and effort to reactivate is reached.

Deferred payment and instalment accounts similarly should be regarded as gold mines susceptible to exploitation. Excellent opportunities for imaginative credit sales promotion abound here. The objective is to keep the customer constantly advised of the merchandise available and reminded of the immense advantages of buying when convenient and paying out of income.

A friendly letter of appreciation sent with the return of the paid-out contract can be made the vehicle to sell another bill of goods. The suggestion that the account is available for add-ons when paid down to the last two or three payments, together with specific suggestions, is an almost sure sales-getter.

Probably the most used method of contacting inactive-account customers is direct mail. Many stores also use the telephone to great advantage. This would apply especially to the "personal service" type of store where the salesperson knows personally many of the customers. The flattering aspects of such a personal call can hardly be overestimated. The credit office records provide detailed data concerning the customer's merchandise preferences which invest the call with a high degree of personalization. Other stores find that outside personal representatives can be successfully used to call on the customer. Here again, the information contained in the ledgers can be of immense helpfulness in such calls. There is no reason why a combination of these approaches should not be employed according to the special circumstances and resources of the firm. However, direct mail will probably be used most often by the majority.

Whatever the approach, however, it should be beamed to the *customer's advantage*. The usual "You have been missed" appeal is not nearly so effective as special merchandise events, and preferred customer services and privileges. Close cooperation with the publicity department will be of incalculable value here. Every effort should be made by the credit executive to tie-in credit sales promotion with the store's over-all merchandise promotion. The two go hand in hand. The credit executive should take the initiative, not wait to be approached by the publicity executive and invited to participate in the program but volunteer the immense resources of the credit department. In this way, the timing of the promotional campaigns will be infinitely more effective. To the customer, it is "one store" . . . she doesn't think in terms of departments or compartments. Nor should we.

Benefits of Inactive Account Program

Because this article is read by credit sales managers of a great many types of business and because specific programs might not fit all of them, we are speaking in

generalities. The important thing is to alert those credit executives who have not followed a definite inactive-account program to the enormous benefits that can come from such.

As in collection procedure, the first approach to the inactive-account customer should be an "impersonal" one. By that we mean merely reminding the customer that the account is available and, where possible, highlighting the current merchandise offerings that make renewed use of the account desirable for the customer. Many stores use stickers affixed to the blank statement. A wide variety of stickers has been developed by N.R.C.A., as illustrated on the inside back cover of this issue, for the use of members. Bearing the insigne of N.R.C.A., they carry prestige and influence. A complete illustrated price list will gladly be sent on request to the National Office. Whatever enclosures are currently being sent to active-account customers should be included also. Most commonly, stickers are used for the first two or three months' inactivity. They are easy to attach and inexpensive to use. This "impersonal" approach has great value in "nudging" the customer to use the account again without making a big fuss over the inactivity.

After two or three stickers have been used, the "personal" follow-up is indicated. Now is the time to write letters. Of such importance is letter writing in credit sales promotion that a separate article in this series will be devoted to the subject. Just a few general comments now. By this time, the objective is to find out specifically why the account has become inactive. Here, the theme of "what have we done or left undone to cause you to stop using your account?" can be used. Stores make a mistake in using this approach too early in inactivity and thus invite many trivial complaints or, worse, give the customer the idea that something *must* be wrong.

Value of Personalized Approach

When used after the stickers, this "personalized" approach will have greater impact. Many customers will respond. Unadjusted complaints will come to light. Grievances will be aired. Instances of faulty service will be recounted. These are things you want to know about. Regard them as opportunities to make friends out of potential enemies. Act on those replies quickly and completely. There are many instances in which an unusually good inactive-account letter has brought a high percentage of replies. So far, so good. Unfortunately, however, these replies have been allowed to accumulate until there were so many of them that nothing was done about most of them. The few that were investigated required so much time before the customer received an answer that more harm than good was accomplished. Nothing could be more destructive of good will than to invite a customer to tell the store why she had ceased to use the account, to "blow off steam"—and then do nothing about it or to take forever to acknowledge her reply. Rather than to allow this to happen a store would be better off not to "start anything." In planning your campaign, therefore, provide facilities for prompt and satisfactory replies to any "beefs" that surely will come in.

In this connection, we want to emphasize the necessity and desirability for the manager of credit sales to be empowered to make adjustments affecting credit customers. Even where the customer has made what might be considered an unreasonable complaint, the credit executive is in the best position of any person in the store to recognize the over-all value of the account and the long-run profitability of making an occasional "policy" adjustment entirely on his own judgment and authority. Finally, the follow-up of inactive accounts should not be continued indefinitely. After two or three letters have brought no results, the account should be transferred to the inactive file. Occasionally, it is profitable to send a postcard mailing to this entire inactive file, particularly at peak seasons or when some very unusual merchandise event is planned.

Generally speaking, however, the customer who resists the definite procedure described and who remains impervious to blandishments might well be counted as a casualty and time and effort expended in other, more promising, avenues of credit sales promotion.

We have discussed direct mail at length as a credit sales promotion tool. This is not meant to minimize the value of "doorbell ringing" as an effective method of winning back friends. Many stores testify to the highly satisfactory results of a planned program of home visitation. However, this is a specialized operation and for best results the services of a professional firm are advised.

In the next article we shall discuss some of the less tangible but nonetheless important angles of credit sales promotion in the topic *Credit Department Salesmanship.* ★★★

COMMENTS By the Editor

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Look Before You Leap

IN THE April, 1953, issue of The CREDIT WORLD I referred to several plans of financing charge accounts at that time being offered to retailers. Some of the companies then in the business were encountering financial troubles, for which reason I suggested that "any merchant interested in this type of financing should check the financial responsibility of the organization offering such a service," and stated further, "It is important that the retailer know the financing institution and how it conducts its business."

Since writing the editorial a number of the companies have "folded up"—with considerable loss to the merchants in prepaid fees and in the failure of the companies to remit the amount due for sales reported to them.

This is not a criticism of charge-account financing but is intended as a word of caution to retailers to make a careful investigation before entering into a contract or paying a membership fee. When possible, confine your business to a local company. Know its financial responsibility and the ability of the men with whom you are to do business.

Improper handling of accounts can destroy the good will built up over the years, with the result that the store will lose not only charge volume but cash business as well.

L. S. Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

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